



REGULAR CITY COUNCIL MEETING
TUESDAY, NOVEMBER 27, 2018 – 7:00 P.M.

Community Meeting Chambers
Los Altos City Hall
1 North San Antonio Road, Los Altos, California

Note: Vice Mayor Lee Eng may participate via telephone conference call from the following location: 1873 Grant Park Lane, Los Altos, CA 94024

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

Presented by Brownie Girl Scouts Troop 60466

CHANGES TO THE ORDER OF THE AGENDA

SPECIAL PRESENTATION

A. Fiscal Year 2017/18 Comprehensive Annual Report (S. Revillar)

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Members of the audience may bring to the Council's attention any item that is not on the agenda. Please complete a "Request to Speak" form and submit it to the City Clerk. Speakers are generally given two or three minutes, at the discretion of the Mayor. Please be advised that, by law, the City Council is unable to discuss or take action on issues presented during the Public Comment Period. According to State Law (also known as "the Brown Act") items must first be noticed on the agenda before any discussion or action.

CONSENT CALENDAR

These items will be considered by one motion unless any member of the Council or audience wishes to remove an item for discussion. Any item removed from the Consent Calendar for discussion will be handled at the discretion of the Mayor.

1. Council Minutes: Approve the minutes of the October 9, 2018 and November 13, 2018 regular meetings and November 13, 2018 study session (S. Henricks)
2. Quarterly Investment Portfolio Report – Quarter ended September 30, 2018: Receive the Investment Portfolio Report through September 30, 2018 (S. Revillar)
3. Resolution No. 2018-43: Conflict of Interest Code: Adopt Resolution No. 2018-43 amending the City of Los Altos Conflict of Interest Code (J. Maginot)
4. Resolution No. 2018-44: Department of Justice grant funding acceptance: Rescind Resolution No. 2018-27 and adopt Resolution No. 2018-44, which accepts grant funds of \$29,209 from the California Department of Justice for the implementation of tobacco education and enforcement programs (S. Henricks)

Jeannie Bruins
Councilmember

Lynette Lee Eng
Vice Mayor

Jean Mordo
Mayor

Jan Pepper
Councilmember

Mary Prochnow
Councilmember

5. Approval of Street Shoulder Improvement Policy: Approve the Street Shoulder Improvement Policy (S. Chan)
6. Resolution No. 2018-45: LAMEA MOU Side Letter Agreement – Defined 9/80: Adopt Resolution No. 2018-45 to update LAMEA’s MOU with a Side Letter Agreement (Attachment 2, Appendix C) that replaces Article 9.1 and 11.1 in their entity and keep Article 11.2 unchanged (J. Leal)

DISCUSSION ITEMS

7. Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real: Consider the updated proposal and take action accordingly on Design Review application 18-D-01, Use Permit application 18-UP-01 and Subdivision application 18-SD-01 for a new 52-unit multiple-family development at 4856 El Camino Real (Z. Dahl)
8. Resolution No. 2018-46: Regional Housing Needs Allocation (RHNA) Subregion: Adopt Resolution No. 2018-46 supporting the formation of RHNA Subregion (J. Biggs)
9. Resolution No. 2018-47: Compensation ranges and benefits package for non-represented employees: Adopt Resolution No. 2018-47 approving adjustments to the compensation ranges for Calendar Years 2019 and 2020 and to the benefit package beginning with Fiscal Year 2019-20 for the non-represented employee group (C. Jordan)

COUNCIL/STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEM

ADJOURNMENT

SPECIAL NOTICES TO THE PUBLIC

In compliance with the Americans with Disabilities Act, the City of Los Altos will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Clerk 72 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for City Council items may be viewed on the Internet at <http://www.losaltosca.gov/citycouncil/meetings>. Council Meetings are televised live and rebroadcast on Cable Channel 26. On occasion the City Council may consider agenda items out of order. If you wish to provide written materials, please provide the City Clerk with **10 copies** of any document that you would like to submit to the City Council for the public record.

Written comments may be submitted to the City Council at council@losaltosca.gov. To ensure that all members of the Council have a chance to consider all viewpoints, you are encouraged to submit written comments no later than 24 hours prior to the meeting.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, and that are distributed to a majority of the legislative body, will be available for public inspection at the Office of the City Clerk’s Office, City of Los Altos, located at One North San Antonio Road, Los Altos, California at the same time that the public records are distributed or made available to the legislative body. Any draft contracts, ordinances and resolutions posted on the Internet site or distributed in advance of the Council meeting may not be the final documents approved by the City Council. Contact the City Clerk at (650) 947-2720 for the final document.

If you challenge any planning or land use decision made at this meeting in court, you may be limited to raising only those issues you or someone else raised at the public hearing held at this meeting, or in written correspondence delivered to the City Council at, or prior to, the public hearing. Please take notice that the time within which to seek judicial review of any final administrative determination reached at this meeting is governed by Section 1094.6 of the California Code of Civil Procedure.

CITY OF LOS ALTOS

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



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**CITY OF LOS ALTOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

**Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT**



INTRODUCTORY SECTION



CITY OF LOS ALTOS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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ONE NORTH SAN ANTONIO ROAD
LOS ALTOS, CALIFORNIA 94022-3087

November 15, 2018

**Honorable Mayor and Members of the City Council
City of Los Altos, California**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Los Altos, California (the City) for the fiscal year ended June 30, 2018 with the Independent Auditors' Report. The CAFR was prepared by the City's Administrative Services Department. The information contained in this CAFR is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that the presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds, and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) section of the CAFR and should be read in conjunction with it. The MD&A provides an important narrative introduction, overview and analysis of the Basic Financial Statements, and can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY AND ITS SERVICES

Tree-lined streets and a small village atmosphere characterize Los Altos, which is in the heart of world-famous Silicon Valley. Just 40 miles south of San Francisco, Los Altos is a residential community with a population of approximately 32,000 served by seven small retail areas. The seven-square mile residential city is developed with small businesses, schools, libraries and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five Council members elected at large, serving four-year overlapping terms. Municipal services provided include police, street maintenance, engineering, community development, parks, recreation and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

SERVICE EFFORTS AND MAJOR INITIATIVES

Service Efforts

In FY 2017/18, the City continued its commitment to provide a high level of service to its residents and citizens, adhered to its adopted financial plan as evidenced by the budget-to-actual reporting presented within this document. Budgetary limits again were met with the General Fund reporting a healthy reserve over expenses this year while contingency reserves were strengthened. All major funds performed as expected through proper stewardship and integrity of funds.

Major Initiatives

Capital Improvements: FY 2017/18 marked another year of capital investment into the community with further resources applied to City-wide improvements. Some of the key capital expenditures of note during FY 2017/18 include the following:

- \$2,539,582 – Street Resurfacing
- 834,825 – City Hall HVAC System Upgrade
- 460,992 – CIPP Corrosion Replacement
- 430,870 – Street Slurry Seal
- 398,584 – Covington Road Bicycle and Pedestrian Improvement
- 345,189 – Illuminated Crosswalk Replacement
- 292,466 – Univ. Ave Crosswalk Improvements
- 288,262 – W. Edith Ave and University Ave Crosswalk Improvement
- 203,052 – Street Striping
- 150,580 – Commercial Wayfinding Sign Program
- 106,616 – City Hall Roof Replacement
- 53,415 – Annual Pathway Rehabilitation
- 26,080 – Fremont Ave Pedestrian Bridge Feasibility Study

Pedestrian Safety, Roads and Walkways: Los Altos is exceptional for investing a significant amount of resources on a variety of roadway, pedestrian and bikeway initiatives and improvements. Over \$4M was applied to street resurfacing, sidewalk repairs and street lighting systems which enhanced safety lighting and street striping. These efforts support the City's highway condition index while increasing overall pedestrian, bicycle and vehicle safety.

Civic Facilities: This last fiscal year confirms the priority of the City Council to address the City's aging facilities and buildings. In FY2017/18 the City began addressing the deferred maintenance by expending over \$940K to upgrade City Hall's HVAC System and the replacement of the roof.

Downtown Revitalization: The City is currently drafting a Downtown Vision Plan which will look at various economic scenarios for the Downtown and help the community shape its desires for the downtown vision. Spending over \$150K to update Commercial Wayfinding signage is a start at revitalizing its core downtown district and promoting its overall attractiveness and vitality.

FINANCIAL CONTROLS AND PROCEDURES

Financial Policies: Throughout the years, the City has followed a fiscally conservative philosophy of building and maintaining healthy financial reserves. This practice has allowed the City to continue providing quality services to its residents while finally positioning itself to invest in the rehabilitation of its infrastructure. On an annual basis, the Council approves financial policies designed to promote sound financial management and ensure fiscal integrity over time. This CAFR reflects the implementation of these financial guidelines and presents all fund reserves and designations to define fund balance commitments and obligations as of the financial report date.

Internal Control Structure: City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Cash Management Policies: It is the City's practice to "pool" available cash from all funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the priority, ensuring adequate liquidity as the second priority and maximizing yield as the third priority. This past year continued to display moderate growth in the historically low interest rates with Local Agency Investment Fund (LAIF) earnings rates around 1%. Staff acted on the Council's direction to engage investment advisory services and will continue to diversify the City's investment portfolio as a means of mitigating the impact of interest rate swings. As always, the emphasis remains on preserving the safety of principal.

Strengthening Key Fund Reserves: This financial report reflects the attainment of judicious fiscal reserves noting increases in both capital and economic safety fund balances. As projected in the budget process, the results herein place the City in a position to maintain its 20% General Fund reserve goal. The City continues to prepare for the increase in the annual CalPERS payments by significantly increasing the CalPERS Reserve from \$3M to \$4M at Mid-Year of FY2017/18.

Risk Management: The City is insured for general liability through the Bay Cities Joint Powers Insurance Authority that covers claims in an amount up to \$10M with a deductible or uninsured liability of up to \$100,000 per claim. The City is self-insured for Workers' Compensation and has an excess insurance policy for such claims up to the statutory limits. The City continues to maintain more than adequate funding levels to cover the cost of its actuarial obligations, but these rising cost areas will require continued attention in the coming years.

GASB 75 Compliance: As stated in last year's CAFR, this report complies with the provisions of Government Accounting Standard Board Statement #75 (GASB 75). This standard pertains to Other Post Employee Benefits (OPEB) and requires the completion of an actuarial study to account for post employee benefit liabilities that exist. This reporting requirement is described in financial note 12 of the CAFR and the related liabilities reflected in the statements. As of June 30, 2018, the City's net OPEB obligation was valued at \$1.5M, an amount reflected in the government-wide statements. The City has set aside \$1.5M in reserves to address this liability funding. The City has moved this set aside to an irrevocable trust for OPEB with CalPERS.

EXECUTIVE FINANCIAL OVERVIEW

This executive financial overview is presented as a supplement to the more detailed and comprehensive analysis presented in the MD&A. This section highlights key financial performance indicators for our major funds.

General Fund

The General Fund, the primary operating fund of the City, favorably exceeded expectations with an operating surplus of \$5.5M for Fiscal Year 2017/18. Currently, the City is now near to being fully staffed. Through our continued commitment to sound financial planning, conservative budgeting and faithful stewardship, annual surpluses around \$2-3M dollars are expected to continue. At year end, the total General Fund balance equaled \$45.4M with an unassigned fund balance of \$4.9M after commitments and assignments. As planned for in the budget process, some of this surplus margin has been allocated to maintaining the City's Operating Reserve at 20% and allocating major funding to capital improvements, such as the new Community Center.

Considering the transfer and use of reserve activity listed below, the final General Fund balance still increased by \$1.6M. This non-operating and transfer activity are as follows:

- \$158,506 transfer in from public safety grant funds
- \$166,060 transfer out for general debt service payments
- \$3,879,531 transfer out for capital projects

The General Fund revenue streams continues to grow at a steady pace. Property tax, which accounts for nearly 50% of the City's revenues, continues to be the City's strong point with an increase of 7.75% in FY2017/18 over the prior year.

<i>Revenue (millions)</i>	<i>2018 Actual</i>	<i>2017 Actual</i>	<i>Variance \$</i>	<i>Variance %</i>
<i>Property Tax</i>	\$21.4	\$19.86	\$1.54	7.75%
<i>Sales Tax</i>	3.24	3.28	(0.04)	-1.23%
<i>Transient Occupancy Tax (TOT)</i>	3.07	2.98	0.09	3.02%
<i>Utility Users Tax</i>	2.73	2.68	0.05	1.86%
<i>Other Taxes</i>	1.46	1.34	0.12	8.95%
<i>Franchise Fees</i>	2.21	2.08	0.13	6.25%
<i>Interest</i>	0.32	0.67	(0.35)	-209%
<i>Recreation</i>	2.03	2.07	(0.04)	-1.97%
<i>License and Permits</i>	4.05	4.12	(0.07)	-1.72%
<i>Other</i>	0.59	0.28	0.31	-211%
Total	\$41.10	\$39.36	\$1.74	4.42%

General Fund revenues increased by nearly 4.4% overall in contrast to a 4.6% increase in the prior year. Revenues came in above of our annual budget estimates with property tax, transient occupancy tax (TOT) and franchise fees being the front runners. Sales tax showed decrease of 1.23% and is expected to remain relatively flat for the upcoming year. TOT showed a 3% increase, more in line with current expectations. Interest income fell from the prior year and should remain flat in the upcoming year. The City's other taxes, such as real estate transfer tax and documentary transfer tax, remained relatively stable. License and permit fees slightly declined based on development activity within the City. Recreation programs came in slightly below last year.

General Fund expenditures came in within target of budget. As in years past, General Fund expenditures came in significantly below General Fund revenues. Although this is continued evidence of sound fiscal management, we continue to recommend prudence and caution in future fiscal planning, as well as a continual effort to look for opportunities to improve management of City funds.

Other Funds

Capital Project Funds: The Capital Projects Fund was very active, with expenditure levels reaching \$6.5M, ending the year with a negative total fund balance of (\$823,098). This fund will be made whole through a transfer at mid-year of FY2018/19.

Special Revenue, Internal and Enterprise Funds: All other Governmental and Business Type funds performed as expected. Non-major special revenue funds ended the year with a combined balance of \$6.2M while Enterprise funds ended the year with combined fund balance of \$22.1M.

Trust and Agency Funds: The City acts as a custodian of funds held for the benefit of others including the administration of the North County Library Authority (NCLA). The long-standing Raymundo and the Blue Oak Lane Sewer special assessment district are classified in the trust and agency group in recognition of the limited nature of this debt which is fully collateralized by homeowner assessments without City obligation.

ECONOMIC TRENDS

The City has performed well financially overall and continues to maintain its target reserve levels. As we navigate FY 2017/18 and beyond, we remain constantly aware of the financial challenges that face all local municipalities such as the significant rises in pension, healthcare and construction costs. Given the reliance on property tax revenues and the rising revenues in Community Development fees and other revenue streams, we must remain ever vigilant in monitoring economic trends and long-term financial issues. Through fiscal stewardship, proper budgeting and prudent use of our reserves, the City of Los Altos is set to enhance its commitment of taking care of its capital needs and residents for years to come.

INDEPENDENT AUDIT

The public accounting firm of Maze and Associates performed the annual independent audit. The auditors' report on the City's financial statements is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2017. In the last 12 years, the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Division staff; Sarina Revillar Financial Services Manager and Maggie Pang, Senior Accountant. Every member of the department deserves recognition and thanks for their commitment to the City and their profession. We also want to thank Maze and Associates, our independent auditors, for their professionalism in performing this year-end financial audit, as well as the members of the Financial Commission for their dedication and expertise to help shape policies and procedures. We would also like to thank the members of the City Council and Executive Team for their leadership and oversight in managing the financial operations of the City.

Respectfully submitted,

Sharif Etman, MBA
Administrative Services Director

City of Los Altos

List of Principal Officials

As of June 30, 2018

ELECTED OFFICIALS

Mayor Jean Mordo
Mayor Pro Tem Lynette Lee Eng
City Council Jeannie Bruins
City Council Jan Pepper
City Council Mary Prochnow

APPOINTED OFFICIALS

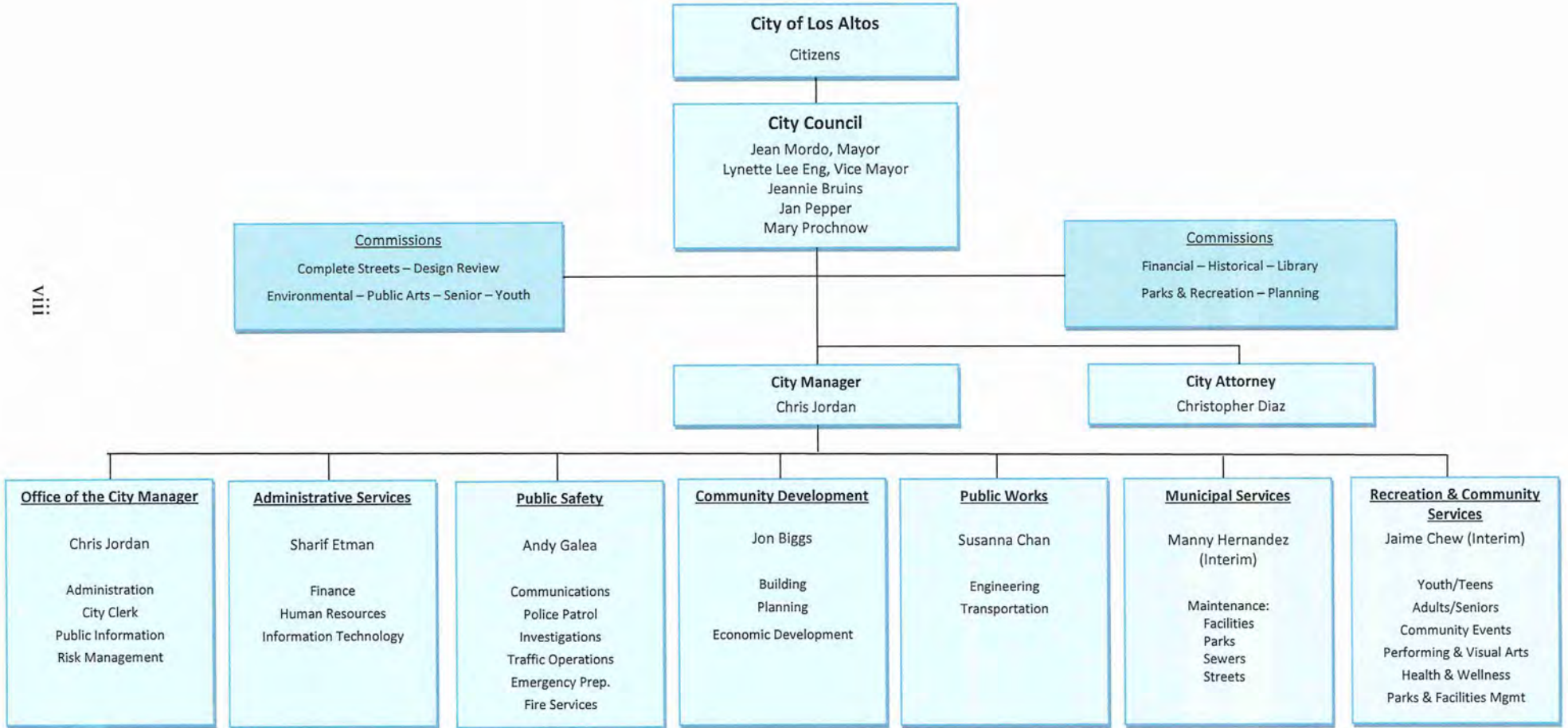
City Manager Christopher Jordan
City Attorney Christopher J. Diaz

EXECUTIVE TEAM

Community Development..... Jon Biggs
Assistant City Manager J Logan
Chief of Police Andy Galea
Administrative Services Director Sharif Etman
Public Works Director Susanna Chan
Community Services & Recreation Director Manuel Hernandez



CITY OF LOS ALTOS



VIIA

November 2018



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

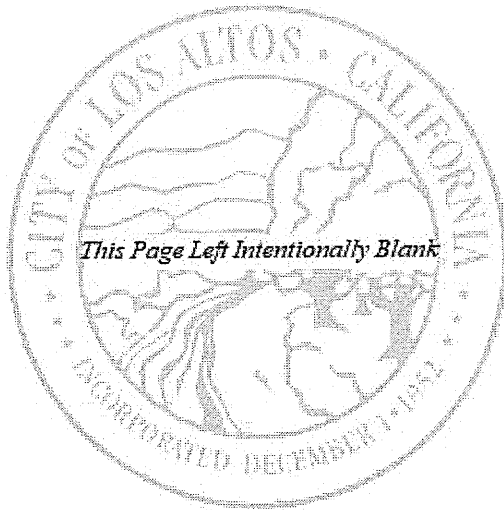
**City of Los Altos
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Los Altos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, California, (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Note 8H to the financial statements.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and Other Required Supplementary information listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

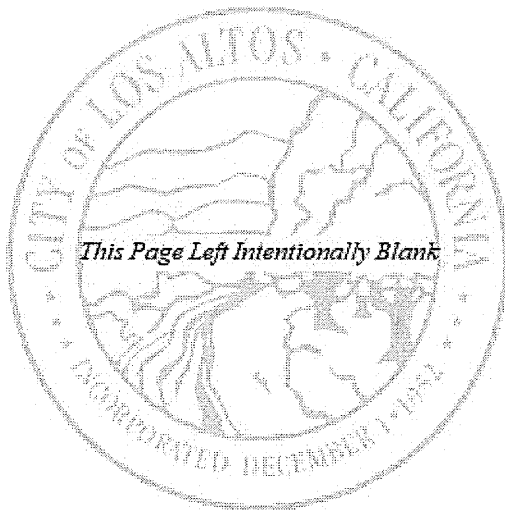
The Supplemental Information is responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Pleasant Hill, California
November 15, 2018



City of Los Altos
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

The purpose of this discussion and analysis is to provide an overview of the City's financial performance and activities for the fiscal year ended June 30, 2018. Readers are encouraged to consider this information in conjunction with the executive summary provided in the letter of transmittal that can be found on pages i to vi of this report.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which is comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting on the City as a Whole

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all City assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, maintenance and public works services, planning, building, engineering and recreation. The City's business-type activities include water, wastewater, storm water and parking.

The government-wide financial statements can be found on pages 23 to 25 of this report.

Reporting on the City's Most Significant Funds

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds.

Governmental Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, In-Lieu Park Land Special Revenue Fund, and Capital Project Fund, each of which are major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

An annual appropriated budget is adopted each year for each governmental fund. A budgetary comparison statement has been provided for several key governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28 to 30 of this report.

Proprietary Funds: The City maintains two types of *proprietary funds*. Services for which the City charges customers a fee are generally reported in the City's *enterprise funds*. These proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its City dental plan and unemployment insurance, as well as Workers' Compensation and Liability Insurance costs. Because these services predominantly benefit the governmental function, they have been included in the government-wide financial statements and related intra-fund charges have been eliminated accordingly.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The City's three enterprise funds (Sewer, Solid Waste and Storm Drain) are considered major funds and are presented as such in the fund financial statements. The City follows the practice of adopting annual budgets for these operations as well.

The combining statements referred to earlier in relation to non-major governmental funds, proprietary and internal service funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 96 to 125 of this report.

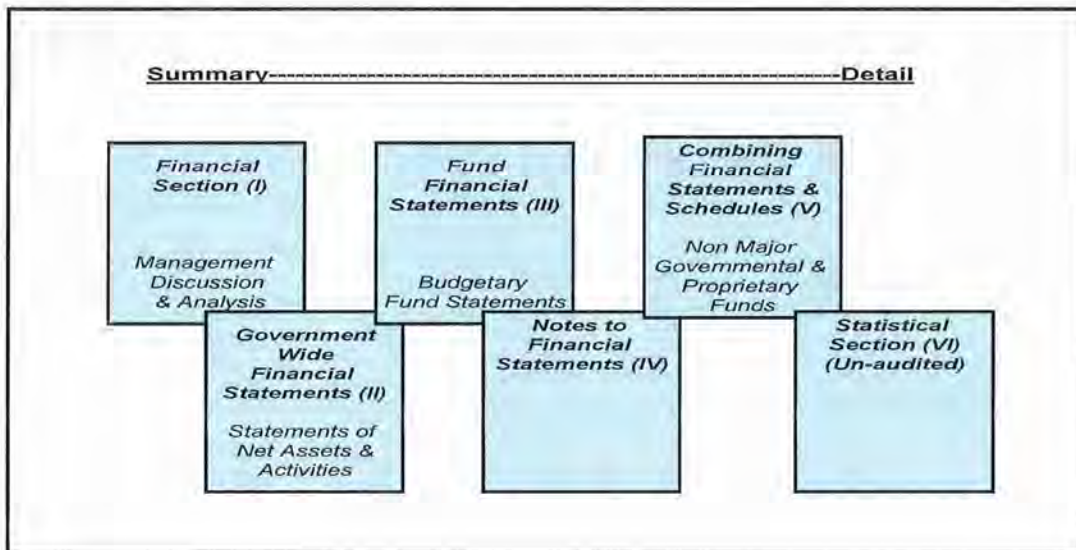
Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 40 to 75 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report.

The City as Trustee

Fiduciary Funds: The City is the trustee, or fiduciary, for the North County Library Authority (NCLA) and two special assessment districts - Raymundo and Blue Oak Sewer Lane improvements. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

In summary, the various sections of this financial report are arranged as follows:



FINANCIAL HIGHLIGHTS

The City ended its fiscal year on a government-wide basis with total revenues of \$51.7M which was consistent with the prior year, and expenses of \$47.2M, an increase of 13.4%. The results represent combined government and business operations, with an overall increase in net position of \$4.5M due to continuing strong revenues combined with contained expenditures City-wide. These favorable fiscal results have continued to strengthen the City’s reserves and allow the City to continue proactive capital project plans.

Operational revenue gains were noted in property tax, hotel occupancy, and utility tax. The Capital Grants and Contributions decreased by \$105K due to a decrease in grant revenues in the Public Works department. The community development fees in 2018 increased due to more development projects starting. Sewer and solid waste revenues were stable and positioned to facilitate future operational and capital needs.

The increase in Government-wide expenses is the result of an effort to begin filling critical staff positions. Resource uses continue to reflect an emphasis on public safety, infrastructure maintenance, quality of life and community development activity.

The City has made significant progress on many capital improvement initiatives, which include maintenance and street resurfacing, streetscape and intersection improvements, and pedestrian and traffic safety enhancements throughout the City. The City has also made significant capital investments in the maintenance and improvement of the City-wide sewer systems.

The Government-wide deficiency of operating revenues over expenditures reflects increased costs in capital improvements. The capital improvement expenditures came in above what was anticipated for the year. As we continue to move forward on the capital improvement initiatives, we will begin to position ourselves in a favorable position as upcoming budgets are developed.

Government-Wide View

- Net position (excess of assets over liabilities) equaled \$114.7M, an increase of \$4.5M, or 3.7%. This is attributed to significant grant and capital contributions with partial offsets given the use of funds for infrastructure maintenance and improvements. The City's net position represents its total net holdings, which are not necessarily unrestricted depending upon the source of the original funding.
- Unrestricted assets equaled \$33.1M. Governmental unrestricted assets totaled \$20.4M at year end, a decrease of \$3.6M, while business activities-related unrestricted assets totaled \$12.6M. The unrestricted net position, as presented in the government-wide section of the CAFR, does not account for local fund restrictions, project assignments and/or policy reserves as classified with the governmental fund section of the report.
- Governmental activities reported ending net position of \$92.6M, an increase of \$2.3M. The increase in government net position arises from positive operating results, fee collections and cost containment.
- Business activities reported ending net position of \$22.1M, an increase of \$1.8M due to positive operating results in the Sewer and Solid Waste Funds and substantial capital investments along with partial offsets of Storm Drain activity losses.
- On a combined basis, restricted net position amounted to \$10.6M vs. \$11.5M last year and represents the extent to which funds are categorically constrained.

Fund Level View

- The General Fund realized an operating surplus of \$5.5M; \$369K slightly below the prior year due to filling vacant positions. Increase revenue from property tax and transient occupancy tax (TOT) account for higher than anticipated surplus while maintaining contained spending.
- General Fund revenues, excluding transfers, increased slightly over prior year actuals by \$2.1M or 5.3% to \$41.2M. Current year results also exceeded budget estimates by 6.8%. Related expenditures increased by \$2.4M to \$35.7M, or 7.3%, a result of decreasing staff vacancies.

- Total governmental fund balances equaled \$56M at fiscal year-end, a \$700K increase from the prior year. The increase is in the expenditures realized are in the general fund.
- General government capital spending totaled approximately \$7.3M. The level of capital reinvestment in Los Altos reflects a sustained focus on maintenance of streets, facilities, traffic calming efforts and safety. The Capital Improvements Projects Fund balance decreased by \$2.3M due to a decline incoming grant funds and special purpose revenues to end the year at \$1.5M.
- The Traffic Impact Fee Fund ended the year with a fund balance of \$581K with revenues of \$111K offset by transfer to the Capital Projects Fund of \$440K.
- The Gas Tax Fund balance decreased by \$230K to \$1.2M with funds used for capital projects including surplus revenue for the year.
- Sewer operations ended the year favorably in net position of \$18.1M. Operating expenses were consistent with last year at \$5M. A review of maintenance expenses reflects continued attention to system maintenance.
- As in the prior year, the Storm Drain Fund has exhausted available resources. These operations are now fully General Fund-subsidized and will continue to be absent until the implementation of a fee-based model.
- Both workers' compensation and general liability claim liabilities had changes from the prior year due to recognition of the City's claims liability at the 80% confidence level. The Workers' Compensation Fund ended the year with an unrestricted net position of \$1.7M, a decrease of \$158K. The General Liability Fund ended the year with unrestricted net position of \$1.9M, an increase of \$340K. Both funds cover their actuarial valuations, which coupled with a proactive risk management program, make the City well positioned to address claim liabilities.
- Other Non-Major Governmental Funds ended the year with a total combined fund balance of \$6.2M, a decrease of \$1.1M or 9%.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position at the City-wide level as presented in the statement of net position and statement of activities which are summarized below as of June 30, 2018. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. On a combined basis, the City experienced an increase of \$4.5M or 3.7% in net position.

City of Los Altos
Fiscal Year Ending June 30, 2018

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Cash and Investments	62,893,649	61,567,878	14,442,173	12,862,007
Other Assets	4,009,313	3,698,982	91,429	308,637
Capital Assets	62,939,663	56,251,229	9,450,259	8,403,465
Total Assets	\$ 129,842,625	\$ 121,518,089	\$ 23,983,861	\$ 21,574,109
Deferred Outflows of Resources				
Related to Pension (note 11)	10,435,166	10,683,014	430,423	463,343
Related to OPEB (note 12)	132,990		10,010	
Bond Debt	1,125,000	1,245,000		
Other Liabilities	44,828,220	38,768,234	2,243,825	1,657,821
Total Liabilities	\$ 45,953,220	\$ 40,013,234	\$ 2,243,825	\$ 1,657,821
Deferred Inflows of Resources				
Related to Pension (note 11)	1,841,274	1,917,607	83,284	78,058
Related to OPEB (note 12)	42,780		3,220	
Net Position				
Net Investment in Capital Assets	61,524,823	54,724,833	9,450,259	8,403,465
Net of Related Debt				
Restricted	10,619,763	11,498,200		
Unrestricted	20,428,921	24,047,229	12,643,706	11,906,716
Change due to Implementation of GASB75 (NOTE 8H)		(403,249)		(35,189)
Total Net Position	\$ 92,573,507	\$ 89,867,013	\$ 22,093,965	\$ 20,274,992

Governmental Activities investment in capital assets makes up the largest portion of the City's net position of sixty-seven percent (67%). These assets reflect land, buildings, infrastructure, machinery and equipment, less any associated outstanding debt. As these assets represent foundational infrastructure used in support of basic City services, they are generally not available for future spending.

A portion of the City's net position, consisting of twelve percent (12%), represents resources subject to external spending restrictions. The remaining twenty-one percent (21%) of net position are defined as unrestricted and generally available for future capital projects and discretionary use with the caveat these funds are a composite of several governmental funds which may include assigned project commitments and assignments specifically associated with active and ongoing projects.

Some key entity-wide observations include the following:

- Cash and investments have an increase of \$1.3M from last year holdings, a factor of favorable revenue collections and cost savings, which includes highs in both property tax and transient occupancy tax collection.
- Net position equaled \$114.7M, an increase of \$4.5M or 3.7%, largely due to GASB 68 and GASB 75 reporting requirements and the recognition of the City's \$36.2M net pension liability.

- Substantial capital improvements, approximating \$3.3M, were realized. These include pedestrian and bicycle safety enhancements, street repairs and striping, major streetscape and intersection enhancements, concrete repairs, facility maintenance, and safety technology improvements.
- Business-type activities reported net position of \$22.1M at year end, a \$1.8M, or 8.7% increase. The Sewer Master Plan has been completed along with a multi-year rate adjustment program to provide resources to address sewer infrastructure rehabilitation. Solid Waste revenues exceeded direct expenses allowing for future initiatives in this important environmental area of operations.

Governmental Activities

Governmental programs, which include public services, realized revenue increase by \$3.2M, or 7.8%, while total expenditures increased by \$7.4M, or 21%. Including all sources and uses, governmental net position increased by \$2.7M, or 3%, ending the year with a total fund balance of \$92.6M. The beginning Net Position has been restated according to GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). (Note 8H).

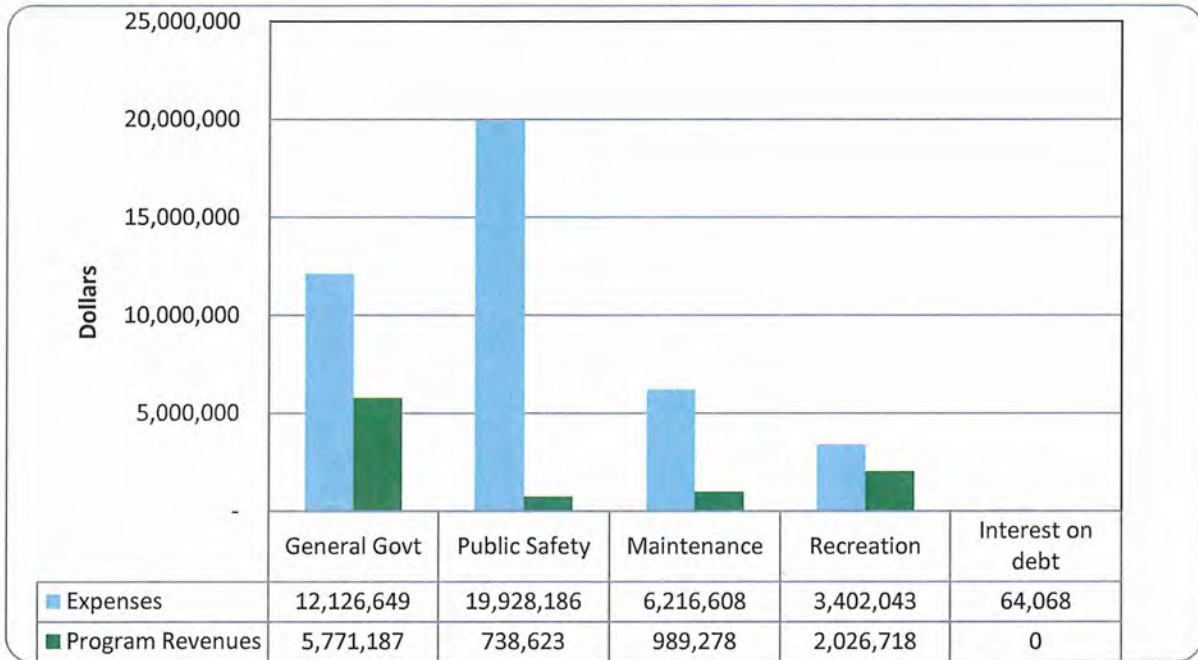
- Property tax continues to be the City's single largest source of revenue representing about 48% of general government-wide revenues. Property tax continued its aggressive growth increasing by \$1.6M, or 7.8%.
- Charges for services, make up 18% of government revenues. The community development fees increased from the prior year amount due to increased project development and supported the revenue category.
- Other major taxes showed stability with an increase of \$205K or 5%, due to hotel occupancy tax (TOT), resulting from a full year of revenue of the opening of a third hotel and the strong regional business climate.
- Interest revenues came in above the prior year actuals by \$87K given continued historically low rates in line with the current Federal Reserve.
- Government expenses, including allocated capital maintenance costs, increased by \$7.4M or 21%. This increase is primarily the result of the City's effort to fill positions that were held vacant during the economic downturn. Interest on long-term debt remained flat, reflective of the City's low debt level.

A comparison of the governmental activities and business-type activities program revenues and expenses for the current year and prior year is presented below:

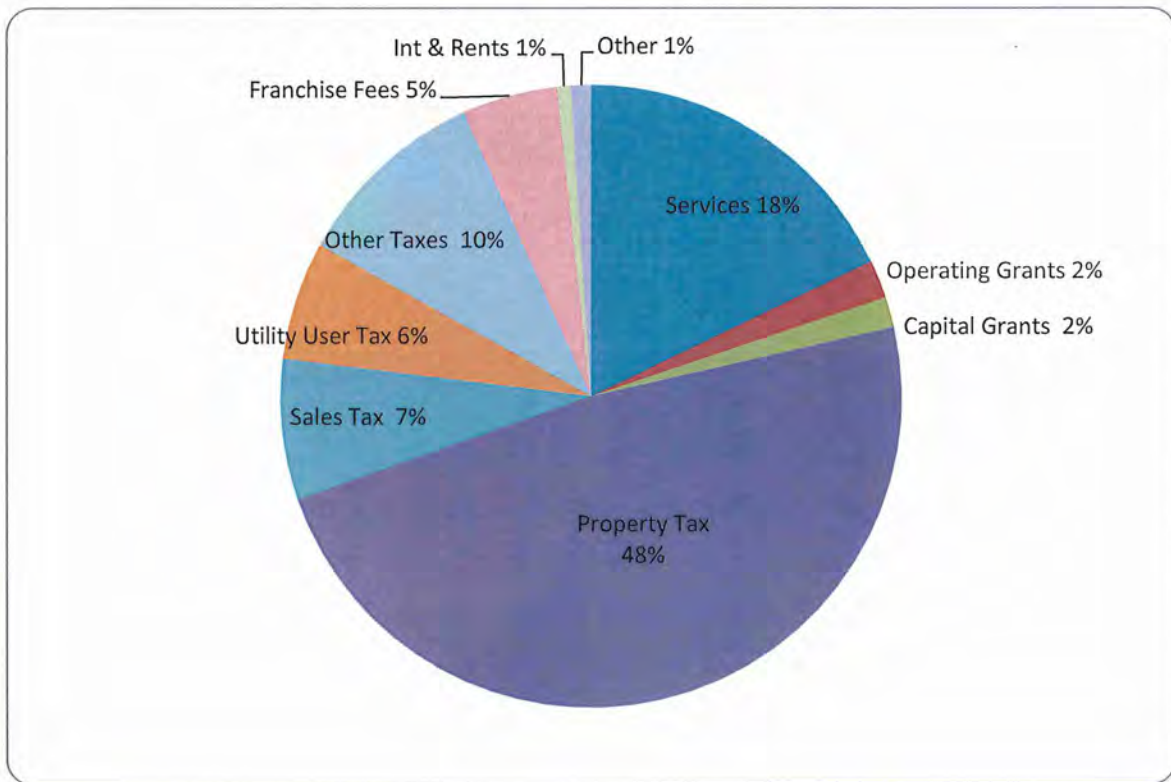
**City of Los Altos Changes in Net Position
Fiscal Year Ending June 30, 2018**

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Revenues				
Program Revenue				
Charges for Services	\$ 7,940,855	\$ 6,668,485	\$ 7,180,727	\$ 7,477,575
Operating Grants/Contributions	882,303	806,345		
Capital Grants/Contributions	702,648	807,490		
General Revenue				
Property Tax	21,428,500	19,863,197		
Sales Tax	3,243,554	3,278,430		
Utility User Tax	2,732,325	2,679,961		
Other Taxes	4,534,886	4,329,549		
Franchise Fees	2,206,735	2,082,888		
Interest Income	320,237	233,472		
Sale of Capital Assets		-		
Miscellaneous	452,005	454,438	70,907	39,740
Total Revenues	44,444,048	41,204,255	7,251,634	7,517,315
Expenses				
Public Safety	19,928,186	15,223,734		
Public Works	6,216,608	7,832,093		
Recreation	3,402,043	2,613,264		
Community Development	6,440,069	4,242,510		
Admin/Community Services	5,686,580	4,410,652		
Interest on Long-Term Debt	64,068	50,550		
Sewer			4,970,296	6,753,989
Solid Waste			461,307	437,854
Storm Drain			1,058	631
Total Expenses	41,737,554	34,372,803	5,432,661	7,192,474
Excess (Deficiency) before transfers	2,706,494	6,831,452	1,818,973	324,841
Transfers				
Loss on Disposal of Assets				
Change in Net Position	2,706,494	6,831,452	1,818,973	324,841
Net Position - Beginning of Year	89,867,013	83,438,810	20,274,992	19,985,340
Change due to implementation of GASB 75 (Note 8H)		(403,249)		(35,189)
Net Position - End of Year	\$ 92,573,507	\$ 89,867,013	\$ 22,093,965	\$ 20,274,992

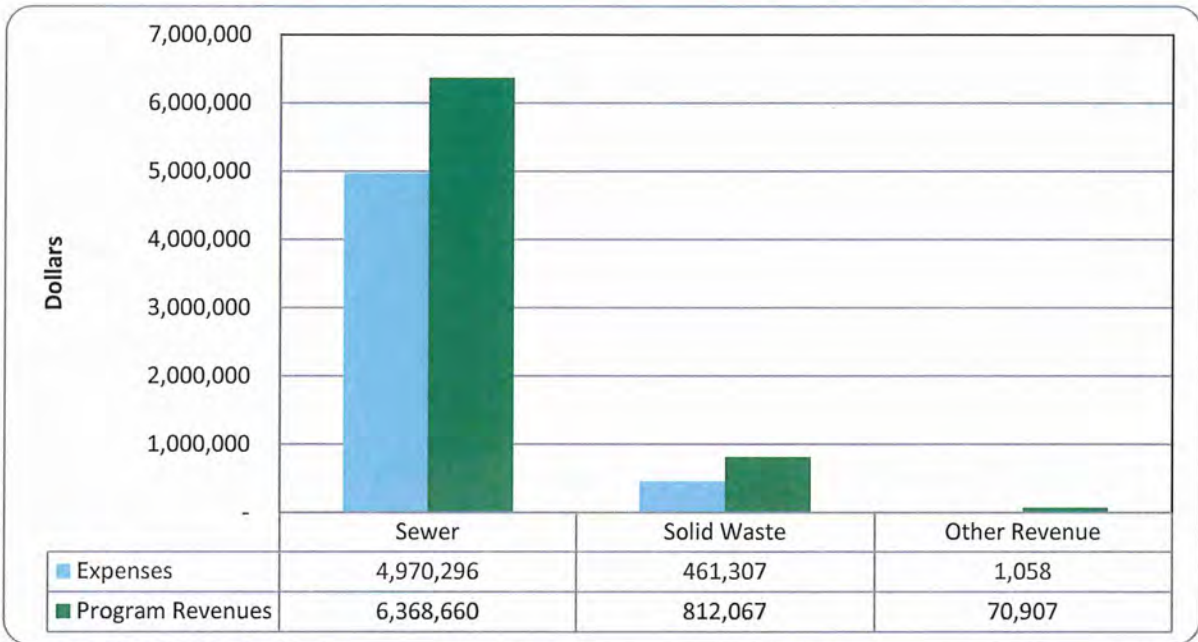
Program Expenses and Revenues - Governmental Activities



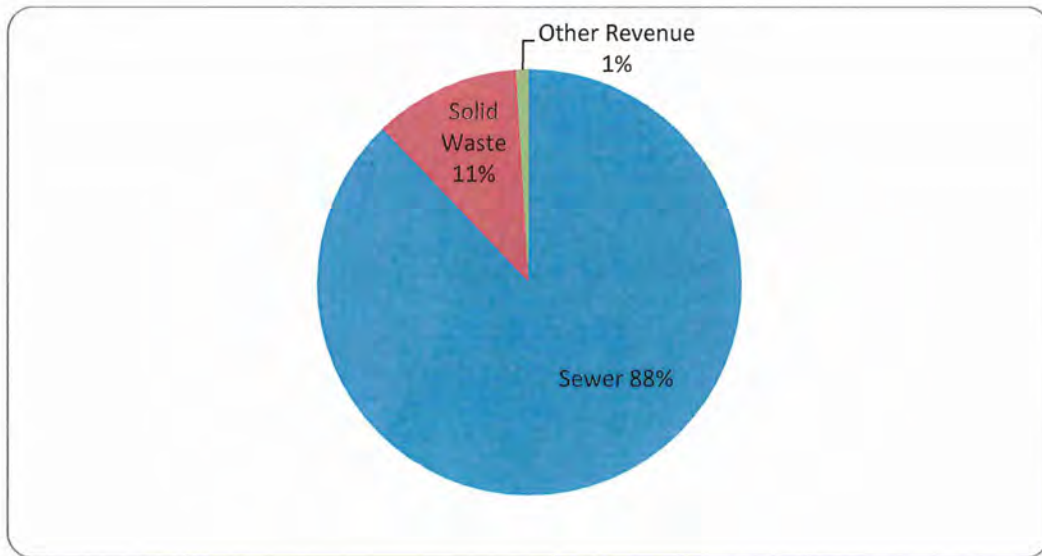
Government Revenues - All Sources



Program Expenses and Revenues - Business-Type Activities



Business Revenues - All Sources



Business-Type Activities

The programs for the business-type activities include sewer and solid waste collection management. These activities represent 19% of the total net position. The net position from the business-type activities increased by \$1.8M, or 8.7%, primarily due to restating the net position according to GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). (Note 8H).

- The Joint Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the Cities of Palo Alto, Mountain View and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. Los Altos is obligated through the year 2018 under an operating agreement with the City of Palo Alto for water treatment plant and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Sewer revenue decreased by \$335K, or 5% from the prior year as the result of a five-year sewer rate program.
- Sewer expenditures decreased by 26% from the prior year, decreasing by \$1.8M due to continuing to address sewer infrastructure.
- Revenue for solid waste collections increased by \$38K, in accordance with the City's agreement for administrative fee support, with a slight increase in expenditures of \$23K. Total net position in the fund increased by \$370K.
- As projected in budgetary estimates and the prior year financial reports, this fund has exhausted its reserves. Currently, the Storm Drain and Urban Runoff Pollution Control Programs (URPP) are categorized as enterprise activities but are lacking a fee that pays for these services.

FUND FINANCIAL ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned or committed fund balances may serve as a useful measure of a government's net resources available for use at the end of the fiscal year. Fund balances have been re-categorized and presented in compliance with GASB 54.

The City's governmental funds reported a combined ending fund balance of \$56M, which \$4.1M remains unassigned.

The City has taken the prudent path of defining and assigning established key fund balance reserves as called out in adopted financial policies and projected in fiscal forecasts. These key reserves are defined as follows:

<i>General Fund Contingency Reserves</i>	<i>June 30, 2018</i>
<i>Emergency and Operating</i>	\$7,250,645
<i>General Fund Capital and Equipment</i>	31,336,288
<i>Total General Fund Available Funds</i>	\$38,586,933

The emergency and operating reserves, components of the General Fund, are safeguards in the event of an economic or financial crisis.

Overall favorable operating results have led to a total General Fund balance of \$45M, after transfers, and an unassigned fund balance of \$4.9M. These amounts align closely with long-term budgetary forecast and the adopted biennial operating plan.

Beyond the General Fund, other restricted funds also have key balances of importance in supporting the City's fiscal plan. These are summarized as follows:

<i>Other Key Fund Balances</i>	<i>June 30, 2018</i>
<i>Other Governmental Funds</i>	\$6,189,333
<i>Capital Projects Fund</i>	(823,098)
<i>In-Lieu Park Land Fund</i>	5,253,528
<i>Total</i>	\$10,619,763

The City continues to maintain a respectable reserve of in-lieu park funds, restricted as to parks, park land and recreation uses, at \$5.3M; a result of the significant private development activity in Los Altos. These and the other dollars listed above, are anticipated to apply to future capital needs such as the newly approved Community Center.

The Capital Projects Fund balance varies materially as progress occurs on approved projects and external funding becomes available. In FY 2017/18, general government capital project spending approximated \$683K, a decrease from the prior year. Beyond funding previously approved projects, the City remains challenged to address the long list of identified and unfunded projects for future consideration.

Proprietary Funds: Proprietary funds provide the same type of information found in the government-wide financial statements, but with more detail.

Unrestricted net position for the Sewer Fund ended the year at \$8.7M including approved capital projects. The Storm Drain Fund balance remains dependent on the General Fund while the Solid Waste Fund increased to \$4.0M. Factors concerning the changes in fund balance in these funds have already been addressed in the discussion of the City's business-type activities.

Both the Sewer and Solid Waste funds receive revenues from the City as a customer for routine service operations. In FY 2017/18 the City paid approximately \$24K in sewer fees and \$350K in waste hauling and disposal services. These amounts are recorded within the "Charges for Services" revenue line item in the proprietary financial statements.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities at year-end amounts to \$72.2M (net of accumulated depreciation).

Investments in capital assets include land, buildings, improvements, machinery, streets, infrastructure and equipment. Governmental capital assets totaled \$63M and those of business-type activities totaled \$9.5M. Assets increased by \$7.7M overall with depreciation outpacing new additions. Additional information on capital assets can be found in footnote 5 of these financial statements as part of the summary listed below:

Capital Assets as of June 30, 2018

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2018 Total</i>	<i>2017 Total</i>
<i>Land</i>	\$11,642,285	0	\$11,642,285	\$11,642,285
<i>Work in Progress</i>	6,869,136	768,187	7,637,323	7,788,517
<i>Buildings</i>	11,407,221	7,724,357	19,131,578	19,907,505
<i>Improvements</i>	4,098,445	0	4,098,445	3,283,018
<i>Machinery & Equip</i>	1,743,964	395,814	2,139,778	1,717,444
<i>Infrastructure</i>	27,008,772	561,901	27,570,673	20,144,529
<i>Total Assets</i>	\$62,769,823	\$9,450,259	\$72,220,082	\$64,483,298
<i>Less Related Debt</i>	(1,245,000)	-	(1,245,000)	(1,355,000)
<i>Net Investment in Capital Assets</i>	\$61,524,823	\$9,450,259	\$70,975,082	\$63,128,298

Debt Administration: At the end of the current fiscal year, City bond and assessment debt decreased by approximately \$110,000. The total outstanding bond debt balance at year-end is approximately \$1.2M and relates solely to the purchase of Rosita Park (formerly known as the Saint Williams site). No additional debt was incurred, and the City has no significant capital leases.

Other debt consists of long-term employee compensated absence obligations of \$1.7M, for general and business activities, a factor of accumulated balances at year-end.

Additional information on long-term obligations can be found in footnotes 6 and 7 to these financial statements.

Long-Term Debt as of June 30, 2018

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2018 Total</i>	<i>2017 Total</i>
<i>Certificate of Participation</i>	\$1,245,000	\$0	\$1,245,000	\$1,355,000
<i>Compensated Absences</i>	1,644,682	84,958	1,729,640	1,568,077
<i>Total</i>	\$2,889,682	\$84,958	\$2,974,640	\$2,923,077

This year the City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2017. The City carries a year-end net Post-Retirement Health obligation (OPEB) of \$1.5M. This obligation is in line with annual actuarial valuations and is a factor of benefit levels.

GENERAL FUND BUDGETARY HIGHLIGHTS

The FY 2017/18 General Fund budget, adopted as part of the biennial plan, equaled \$36.3M. Budget to actual results came in favorably with revenues exceeding estimates by \$2.6M or 6% and expenditures coming in at 3% below established limits, for year-end revenues over expenditures of \$5.5M.

ECONOMIC FACTORS AND FY 2017/18 BIENNIAL BUDGET AND RATES

General Fund revenue is forecast to increase by 4%, while expenditures are budgeted to increase by 3%. The 2017/18 budget anticipates that the City will return to a staffing level that is currently budgeted at 133 positions. The City is also evaluating future funding to address aging city facilities and the fiscal impact of published and pending master plans.

The biennial budget was developed to maintain sound fiscal posture, present a balanced General Fund and enhance reserve levels to address aging infrastructure replacement. The budget continues to integrate a fully-funded comprehensive five-year Capital Improvement Program and strategic forecasts. Key budget highlights are noted below:

- Revenues are expected to increase in line with current year results. The City maintains a 20% General Fund reserve as endorsed by the City Council for the fifth consecutive year. The City continues to fund its OPEB reserve along with adding funds to the PERS reserve (currently \$4M) to offset the impact of future increases in retirement costs. The City has also set aside funds for future capital investments in technology initiatives, such as a new financial Enterprise Resource Platform or ERP system and a new permitting software system.
- The budget projects an increase of 6.5-7% in property tax receipts, noting a steady improvement in property values. This projection includes secured property tax, unsecured property tax, homeowner property tax relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax makes up nearly half of all governmental funds' revenue.

- Other key taxes are estimated to experience flat to very minor increases. Utilizing the most recent data and regional and national trends, key City tax revenues including sales tax and hotel tax is expected to increase. Los Altos voters recently approved Measure D, allowing the City to increase the Transient Occupancy Tax (TOT) rate from 11% to 14%. This increase is expected to gain approximately \$700K in annual revenue.
- Planning and building activity have shown significant development strength in the past, however is it expected to ramp up and has projected an increase in this revenue base. These projections anticipate an incline growth in local activity.
- Total authorized positions are currently budgeted at 133 full time equivalent employees.
- The two-year budget honors existing and new multi-year labor contracts. A new labor group, Los Altos Municipal Employees Association (LAMEA) officially entered an MOU with the City for a term of three fiscal years. Salaries filled authorized positions remain within budget projections.
- General operational costs grew by 7% at the end of year two. The return to full staffing along with rising pension and healthcare costs are the main contributors to the increase, with the City maintaining all other operating expenditures close to current levels.
- The budget also reflects increases for the City's normal pension costs. The recent announcement by CalPERS to lower the discount rate, which in turn asks for significant increases to the City's annual unfunded liability payments is currently being addressed by City Council and Executive Team leadership. Future budget adjustments will be needed to address these increases along with utilizing the newly created PERS Reserve (currently \$4M) to help mitigate the year-over-year impact.
- Overall, PERS pension rates increased but were mitigated by the pay-down of the City's side-fund liability which was fully paid down in FY 2012/13. Rates for public safety and miscellaneous employees increased from prior year levels as recent changes in legislation and assumptions continue to drive pension costs. Health insurance rates are assumed to increase by at least 7.5%.
- The second-tier pension model (PEPRA) that lowers the level of benefit for new hires rendered material savings as the years evolve.
- The budget incorporates storm water-related costs into the General Fund budget while the City contemplates potential funding options for this program.

For a more current discussion of the state of the economy beyond those assumptions made in the FY 2017-19 two-year budget process, the reader should also refer to the transmittal letter included in this document.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Los Altos citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report, or request for additional financial information, should be addressed to the Administrative Services Director, 1 North San Antonio Road, Los Altos, CA 94022.



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**



CITY OF LOS ALTOS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$62,893,649	\$14,442,173	\$77,335,822
Accounts receivable	1,425,703	71,809	1,497,512
Interest receivable	92,199	19,620	111,819
Prepaid items and inventory (Note 1H)	26,760		26,760
Note receivable (Note 4)	1,895,206		1,895,206
Due from other funds (Note 3B)	569,445		569,445
Total current assets	<u>66,902,962</u>	<u>14,533,602</u>	<u>80,867,119</u>
Noncurrent assets:			
Restricted cash and investments (Note 2)	169,840		169,840
Capital assets (Note 5):			
Non-depreciable	18,511,421	768,187	19,279,608
Depreciable, net of accumulated depreciation	44,258,402	8,682,072	52,940,474
Total noncurrent assets	<u>62,939,663</u>	<u>9,450,259</u>	<u>72,389,922</u>
Total Assets	<u>129,842,625</u>	<u>23,983,861</u>	<u>153,257,041</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 11)	10,435,166	430,423	10,865,589
Related to OPEB (Note 12)	132,990	10,010	143,000
Total deferred outflows of resources	<u>10,568,156</u>	<u>440,433</u>	<u>11,008,589</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,731,097	594,168	2,325,265
Due to other funds (Note 3B)	559,945	9,500	569,445
Interest payable	8,647		8,647
Accrued liabilities	807,629	28,724	836,353
Other payable	177,624		177,624
Compensated absences, due in one year (Note 7)	411,171	21,240	432,411
Claims and judgements, due in one year (Note 9)	831,733		831,733
Long-term debt, due in one year (Note 6)	120,000		120,000
Total current liabilities	<u>4,647,846</u>	<u>653,632</u>	<u>5,301,478</u>
Noncurrent liabilities:			
Compensated absences, due in more than one year (Note 7)	1,233,511	63,718	1,297,229
Claims and judgments, due in more than one year (Note 9)	2,748,267		2,748,267
Net pension liability (Note 11)	34,766,462	1,418,609	36,185,071
Net OPEB liability (Note 12)	1,432,134	107,866	1,540,000
Long-term debt, due in more than one year (Note 6)	1,125,000		1,125,000
Total noncurrent liabilities	<u>41,305,374</u>	<u>1,590,193</u>	<u>42,895,567</u>
Total Liabilities	<u>45,953,220</u>	<u>2,243,825</u>	<u>48,197,045</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 11)	1,841,274	83,284	1,924,558
Related to OPEB (Note 12)	42,780	3,220	46,000
Total deferred inflows of resources	<u>1,884,054</u>	<u>86,504</u>	<u>1,970,558</u>
NET POSITION (Note 8)			
Net investments in capital assets	61,524,823	9,450,259	70,975,082
Restricted for:			
Debt service	364,179		364,179
Special revenue programs:			
Public safety	33,333		33,333
Recreation	5,253,528		5,253,528
Streets and roads	2,800,690		2,800,690
Public education	841,426		841,426
Housing	4,617		4,617
Parking	738,184		738,184
Other	71,756		71,756
Capital projects	512,050		512,050
Total Restricted Net Position	<u>10,619,763</u>		<u>10,619,763</u>
Unrestricted	20,428,921	12,643,706	33,072,627
Total Net Position	<u>\$92,573,507</u>	<u>\$22,093,965</u>	<u>\$114,667,472</u>

See accompanying notes to financial statements

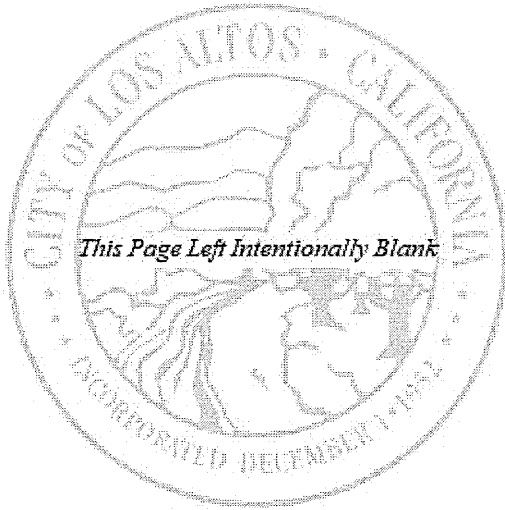
CITY OF LOS ALTOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities:					
Public safety	\$19,928,186	\$329,648	\$408,975		\$738,623
Public works	6,216,608	50,753	297,877	\$640,648	989,278
Recreation	3,402,043	2,021,317	5,401		2,026,718
Community development	6,440,069	4,589,246	170,050	62,000	4,821,296
Admin / community services	5,686,580	949,891			949,891
Interest on long-term debt	64,068				
Total Governmental Activities	41,737,554	7,940,855	882,303	702,648	9,525,806
Business-type Activities:					
Sewer	4,970,296	6,368,660			6,368,660
Solid waste	461,307	812,067			812,067
Storm drain	1,058				
Total Business-type Activities	5,432,661	7,180,727			7,180,727
Total primary government	\$47,170,215	\$15,121,582	\$882,303	\$702,648	\$16,706,533
General revenues:					
Taxes:					
Property taxes					
Sales and use taxes					
Utility users' tax					
Other taxes					
Franchise fees					
Total taxes					
Interest income					
Miscellaneous					
Total general revenues and transfers					
Change in Net Position					
Net Position-Beginning, As Restated (Note 8H)					
Net Position-Ending					

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$19,189,563)		(\$19,189,563)
(5,227,330)		(5,227,330)
(1,375,325)		(1,375,325)
(1,618,773)		(1,618,773)
(4,736,689)		(4,736,689)
(64,068)		(64,068)
<u>(32,211,748)</u>		<u>(32,211,748)</u>
	\$1,398,364	1,398,364
	350,760	350,760
	<u>(1,058)</u>	<u>(1,058)</u>
	1,748,066	1,748,066
<u>(32,211,748)</u>	<u>1,748,066</u>	<u>(30,463,682)</u>
21,428,500		21,428,500
3,243,554		3,243,554
2,732,325		2,732,325
4,534,886		4,534,886
2,206,735		2,206,735
<u>34,146,000</u>		<u>34,146,000</u>
320,237		320,237
452,005	70,907	522,912
<u>34,918,242</u>	<u>70,907</u>	<u>34,989,149</u>
2,706,494	1,818,973	4,525,467
<u>89,867,013</u>	<u>20,274,992</u>	<u>110,142,005</u>
<u>\$92,573,507</u>	<u>\$22,093,965</u>	<u>\$114,667,472</u>



FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2018. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in other funds. The General Fund supports essential City services such as police, fire, street and parks maintenance, maintenance services, community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from the sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

IN-LIEU PARK LAND FUND

Accounts for revenues received in lieu of parkland dedications. The revenues are dedicated for purchasing or improving park or recreational facilities.

CAPITAL PROJECTS FUND

Accounts for the acquisition and construction of major capital projects and plans that are financed by resources other than proprietary funds.

CITY OF LOS ALTOS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$43,776,183	\$5,253,335	\$162,875	\$5,919,451	\$55,111,844
Restricted cash and investments (Note 2)				169,840	169,840
Receivables, net of allowance for uncollectibles:					
Accounts	1,306,049		13,720	94,394	1,414,163
Interest	78,914	7,065		6,220	92,199
Prepays	19,974				19,974
Note receivable (Note 4)	1,895,206				1,895,206
Inventory (Note 1H)	6,786				6,786
Due to other funds	569,445				569,445
Total Assets	<u>\$47,652,557</u>	<u>\$5,260,400</u>	<u>\$176,595</u>	<u>\$6,189,905</u>	<u>\$59,279,457</u>
LIABILITIES					
Accounts payable	\$1,273,521	\$6,872	\$439,748	\$572	\$1,720,713
Accrued liabilities	807,629				807,629
Other payable	177,624				177,624
Due from other funds			559,945		559,945
Total Liabilities	<u>2,258,774</u>	<u>6,872</u>	<u>999,693</u>	<u>572</u>	<u>3,265,911</u>
FUND BALANCES					
Fund balance (Note 8):					
Nonspendable	1,931,952				1,931,952
Restricted		5,253,528		4,854,185	10,107,713
Committed					
Assigned	38,586,933			1,335,148	39,922,081
Unassigned	4,874,898		(823,098)		4,051,800
Total Fund Balances	<u>45,393,783</u>	<u>5,253,528</u>	<u>(823,098)</u>	<u>6,189,333</u>	<u>56,013,546</u>
Total Liabilities and Fund Balances	<u>\$47,652,557</u>	<u>\$5,260,400</u>	<u>\$176,595</u>	<u>\$6,189,905</u>	<u>\$59,279,457</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Fund balances of governmental funds \$56,013,546

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in Governmental Activities are not current financial resources. Therefore, were not reported in the governmental funds balance sheet:

Land, buildings, property, equipment and infrastructure, net 62,769,823

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet.

(8,647)

Deferred outflows below are not current assets of financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows 10,568,156

Deferred inflows (1,884,054)

Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the governmental funds balance sheet.

Long-term debt - current portion (120,000)

Long-term debt - noncurrent portion (1,125,000)

Net pension liability (34,766,462)

Net OPEB obligation (1,432,134)

Compensated absences - current portion (411,171)

Compensated absences - noncurrent portion (1,233,511)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the governmental-wide statement of net position.

4,202,961

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$92,573,507

See accompanying notes to financial statements

CITY OF LOS ALTOS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$21,428,500				\$21,428,500
Sales tax	3,243,554				3,243,554
Utility users	2,732,325				2,732,325
Other tax	4,534,886				4,534,886
Licenses, permits and fees	4,055,230			\$140,377	4,195,607
Intergovernmental		\$1,092,500		994,081	2,086,581
Grants and donations	82,101		\$437,375	408,338	927,814
Charges for services	4,510,749			108,845	4,619,594
Fines and forfeitures	158,664			19,190	177,854
Interest and rentals	303,377	\$24,576		31,733	359,686
Other	128,007			9,640	137,647
Total Revenues	41,177,393	1,117,076	437,375	1,712,204	44,444,048
EXPENDITURES					
General government					
Public safety	17,465,711				17,465,711
Public works	5,783,953				5,783,953
Recreation	2,509,280				2,509,280
Community development	5,180,470			566,885	5,747,355
Admin / community development	4,772,919				4,772,919
Capital improvements		251,257	6,510,476	537,499	7,299,232
Debt service:					
Principal				110,000	110,000
Interest and fiscal charges				56,060	56,060
Total Expenditures	35,712,333	251,257	6,510,476	1,270,444	43,744,510
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,465,060	865,819	(6,073,101)	441,760	699,538
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3)	158,506		5,389,779	166,060	5,714,345
Transfers (out) (Note 3)	(4,045,591)			(1,668,754)	(5,714,345)
Total Other Financing Sources (Uses)	(3,887,085)		5,389,779	(1,502,694)	
NET CHANGE IN FUND BALANCES	1,577,975	865,819	(683,322)	(1,060,934)	699,538
BEGINNING FUND BALANCES	43,815,808	4,387,709	(139,776)	7,250,267	55,314,008
ENDING FUND BALANCES	\$45,393,783	\$5,253,528	(\$823,098)	\$6,189,333	\$56,013,546

See accompanying notes to financial statements

CITY OF LOS ALTOS
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances of governmental funds \$699,538

Amounts reported for governmental activities in the Statement of Activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 8,877,573

Depreciation expense on capital assets is reported in the government wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (2,187,583)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.
 Principal payment 110,000

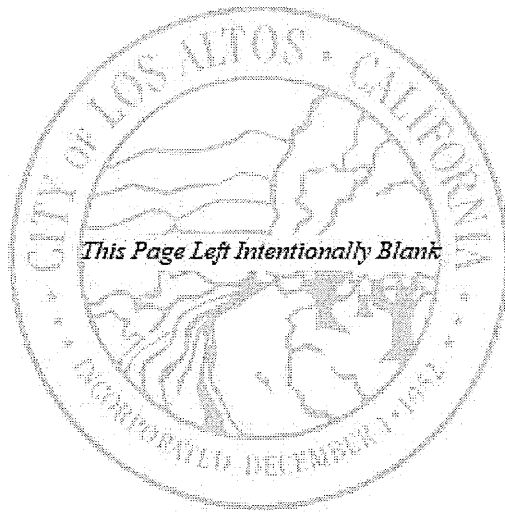
The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	(140,897)
Interest payable	(8,008)
Net OPEB obligation	(97,636)
Net pension obligation, and related deferred outflows and inflows of resources	(4,738,565)

Internal Service Funds are used by management to charge the costs of certain activities such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 192,072

Changes in net position of governmental activities \$2,706,494

See accompanying notes to financial statements



MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported all of its Enterprise Funds as major funds in fiscal 2018.

SEWER

To account for the operation (including waste water treatment) of the City's sewer treatment activities, a self-supporting activity which provides services on a user charge basis.

SOLID WASTE

To account for the collection and disposal of solid waste, a self-supporting activity that provides service on a user charge basis.

STORM DRAIN

To account for the operation of the City's urban runoff and storm drain activities.

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds	
	Sewer	Solid Waste	Storm Drain		Totals
ASSETS					
Current Assets:					
Cash and investments (Note 2)	\$10,511,432	\$3,930,741		\$14,442,173	\$7,781,805
Accounts receivable		71,809		71,809	11,540
Interest receivable	14,305	5,315		19,620	
Total Current Assets	10,525,737	4,007,865		14,533,602	7,793,345
Non-Current Assets:					
Capital assets (Note 5):					
Nondepreciable	768,187			768,187	
Depreciable	19,406,435		\$1,969,221	21,375,656	
Less accumulated depreciation	(10,724,364)		(1,969,220)	(12,693,584)	
Total capital assets, net	9,450,258		1	9,450,259	
Total non-current Assets	9,450,258		1	9,450,259	
Total Assets	19,975,995	4,007,865	1	23,983,861	7,793,345
DEFERRAL OUTFLOWS OF RESOURCES					
Related to pension (Note 11)	430,423			430,423	
Related to OPEB (Note 12)	7,865	715	1,430	10,010	
Total Deferred Outflows	438,288	715	1,430	440,433	
LIABILITIES					
Current Liabilities:					
Accounts payable	570,790	23,378		594,168	10,384
Accrued liabilities	26,861	1,863		28,724	
Due to other funds (Note 3)			9,500	9,500	
Compensated absences (Note 7)	21,240			21,240	
Claims and judgements (Note 9)					831,733
Total Current Liabilities	618,891	25,241	9,500	653,632	842,117
Long-Term Liabilities					
Compensated absences (Note 7)	63,718			63,718	
Claims and judgements (Note 9)					2,748,267
Net pension liabilities (Note 11)	1,418,609			1,418,609	
Net OPEB liabilities (Note 12)	84,752	7,705	15,409	107,866	
Total Noncurrent Liabilities	1,567,079	7,705	15,409	1,590,193	2,748,267
Total Liabilities	2,185,970	32,946	24,909	2,243,825	3,590,384
DEFERRAL INFLOWS OF RESOURCES					
Related to pension (Note 11)	83,284			83,284	
Related to OPEB (Note 12)	2,530	230	460	3,220	
Total Deferred Inflows	85,814	230	460	86,504	
NET POSITION (Note 8)					
Net investment in capital assets	9,450,258		1	9,450,259	
Unrestricted (deficit)	8,692,241	3,975,404	(23,939)	12,643,706	4,202,961
Total Net Position (Deficit)	\$18,142,499	\$3,975,404	(\$23,938)	\$22,093,965	\$4,202,961

See accompanying notes to financial statements

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds	
	Sewer	Solid Waste	Storm Drain		Totals
OPERATING REVENUES					
Charges for services	\$6,368,660	\$812,067		\$7,180,727	\$1,716,061
Total Operating Revenues	6,368,660	812,067		7,180,727	1,716,061
OPERATING EXPENSES					
Outside services	3,250,503	294,652		3,545,155	37,138
Employee services	1,294,015	144,655	\$1,058	1,439,728	
Repairs and maintenance	21,281			21,281	928,886
Claims and reimbursements					495,265
Insurance and adjustments	73,000	22,000		95,000	
Administration					62,700
Depreciation	331,497			331,497	
Total Operating Expenses	4,970,296	461,307	1,058	5,432,661	1,523,989
Operating Income (Loss)	1,398,364	350,760	(1,058)	1,748,066	192,072
NONOPERATING REVENUES					
Interest	52,055	18,852		70,907	
Total Nonoperating Revenues	52,055	18,852		70,907	
Change in Net Position	1,450,419	369,612	(1,058)	1,818,973	192,072
BEGINNING NET POSITION, AS RESTATED (Note 8H)	16,692,080	3,605,792	(22,880)	20,274,992	4,010,889
ENDING NET POSITION (DEFICIT)	<u>\$18,142,499</u>	<u>\$3,975,404</u>	<u>(\$23,938)</u>	<u>\$22,093,965</u>	<u>\$4,202,961</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$6,606,784	\$799,759		\$7,406,543	\$1,885,643
Cash received from other funds			\$9,500	9,500	
Cash payments to suppliers for goods and services	(3,022,322)	(311,866)	(7,183)	(3,341,371)	
Cash payment employees for services	(1,034,419)	(143,596)	(1,687)	(1,179,702)	
Cash payments to claimants					(941,322)
Insurance premiums, settlements and rebates	(5,830)	(530)	(1,060)	(7,420)	(448,578)
Cash Flows from (used for) Operating Activities	2,544,213	343,767	(430)	2,887,550	495,743
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,378,290)		(1)	(1,378,291)	
Cash Flows (used for) Capital and Related Financing Activities	(1,378,290)		(1)	(1,378,291)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	52,055	18,852		70,907	
Cash Flows from Investing Activities	52,055	18,852		70,907	
Net Cash Flows	1,217,978	362,619	(431)	1,580,166	495,743
Cash and investments at beginning of period	9,293,454	3,568,122	431	12,862,007	7,286,062
Cash and investments at end of period	\$10,511,432	\$3,930,741		\$14,442,173	\$7,781,805
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$1,398,364	\$350,760	(\$1,058)	\$1,748,066	\$192,072
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	331,497			331,497	
Change in assets and liabilities:					
Receivables, net	238,124	(12,308)		225,816	169,582
Accounts payable and other accrued expenses	322,462	4,786	(7,183)	320,065	(12,436)
Due to other funds			9,500	9,500	
Net pension liability and deferred inflows and outflows	227,270			227,270	
Net OPEB liability and deferred inflows and outflows	5,830	529	1,060	7,419	
Compensated absences	20,666		(2,749)	17,917	
Claims and judgments					146,525
Cash Flows from (used for) Operating Activities	\$2,544,213	\$343,767	(\$430)	\$2,887,550	\$495,743

See accompanying notes to financial statements

FIDUCIARY FUNDS

AGENCY FUND

Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of the results of operations. It is used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

CITY OF LOS ALTOS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$4,258,034
Restricted cash and investments (Note 2)	39,794
Accounts receivable	16,269
Interest receivable	2,409
	<hr/>
Total Assets	<u><u>\$4,316,506</u></u>
LIABILITIES	
Accounts payable	\$295,204
Due to others	4,021,302
	<hr/>
Total Liabilities	<u><u>\$4,316,506</u></u>

See accompanying notes to financial statements

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Background

The basic financial statements of the City of Los Altos, California (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

Reporting Entity

The City incorporated in 1952. The City operates under an elected Council and appointed City Manager form of government and provides the following services: public safety, recreation, community development, public works, capital improvements, and general supporting administrative services. The City has no component units.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts which includes its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with such provisions and managerial requirements.

Government-wide Statements: The City's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities and Changes in Net Position presents changes in the net position of the City. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability for goods or services is incurred.

Certain types of transactions are reported as program revenues for the city in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

- Due to, due from other funds
- Transfers in, transfers out
- Internal service fund transactions

Fund Financial Statements: Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds in the aggregate. An accompanying schedule is included to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide financial statements.

Governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The City’s primary revenue sources, which have been treated as susceptible to accrual by the City, are: property tax, sales tax, hotel tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred and are accrued accordingly.

Deferred inflow of resources arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the revenue is recognized.

The reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements: Proprietary Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

A column representing the City's internal service funds, those funds that support agency wide shared service costs, is also presented in these statements. These internal service balances and activities are combined with the governmental activities in the Government-wide Financial Statements.

Proprietary Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability for goods or services is incurred.

Proprietary Funds distinguish operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services, including sewer charges, solid waste fees, and support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Financial Statements: The City's Fiduciary Funds are comprised of agency funds used to account for the operating activities and for the special assessment collections pertaining to the North County Library Authority, Raymundo and Avalon Drive Curb and Gutter Districts, and Blue Oak Lane Sewer Improvements. Agency Funds are custodial in nature (assets equal liabilities), do not involve the measurement of results of operations, and are accounted for on the accrual basis of accounting.

Internal Service Funds: Internal Service Funds account for services provided to other departments pertaining to the employee self-insurance dental program, unemployment insurance, workers' compensation insurance and liability insurance, all of which are funded on a cost reimbursement basis as budget projections and valuations develop.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another funds. The General Fund supports essential City services such as police, fire, street and parks maintenance, public works, and community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Lieu Park Land Fund – Accounts for revenues received in lieu of parkland dedications. The revenues are dedicated for purchasing or improving park or recreational facilities.

Capital Project Fund – Accounts for the acquisition and construction of major general government capital projects and plans that are financed by resources other than proprietary funds.

The City reported all of its enterprise funds as major funds in the accompanying financial statements:

Sewer Fund – Accounts for the operation (including waste water treatment) of the City’s sewer treatment activities, a self-supporting activity which provides services on a user charge basis.

Solid Waste Fund – Accounts for the administration and support of contracted solid waste services, a self-supporting user charge for services activity.

Storm Drain Fund – Accounts for operation of the City’s urban runoff and storm drain activities.

D. *Recognition of Interest Payable*

In the Governmental Fund Financial Statements, interest expenditures on long-term debt are recognized when payment is made. In the Government-wide Financial Statements and Proprietary Fund Financial Statements interest expense is recognized as the liability is incurred.

E. *Use of Restricted and Unrestricted Net Position*

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first.

F. *Cash, Cash Equivalents and Investments*

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

The City places liquid assets in a pooled investment account with the goal of enhancing the diversity of its investment holdings. This portfolio complies with state code investment requirements and is subject to a more restrictive City adopted investment policy. Such funds are held independently in City established investment custodial accounts.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash with fiscal agents.

G. *Fair Value Hierarchy*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

H. *Inventories*

Inventory, mainly consisting of vehicle fuel and paper supplies, is stated at cost on an average cost basis and is controlled by a perpetual inventory system which is adjusted to reflect periodic physical counts. Inventories are recorded as expenditures in the General Fund and charged to departments as consumed.

I. *Restricted Cash*

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

J. *Compensated Absences*

Government-wide Financial Statements: For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as the time is earned by employees.

Fund Financial Statements: For Governmental Funds, compensated absences are recorded as expenditures in the years paid. The General Fund is typically used to pay out compensated absences that arise in the course of any one year. Unpaid and accumulated liabilities for some compensated absences accrue to future resources. In Proprietary Funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes

Santa Clara County (County) assesses all properties in the City, and it bills, collects and distributes property taxes to the City. Both secured and unsecured property taxes are levied on January 1. The County assesses properties and it bills, collects and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 for the fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and it becomes delinquent after December 10 and April 10, respectively. The City and the County adopted the “alternative method of property tax distribution” known as the Teeter Plan that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection and to retain all delinquent penalties and interest. Unsecured property tax is due on July 1 and becomes delinquent after August 31. Distribution of the unsecured property taxes is based on collections. Collection of delinquent accounts is the responsibility of the County, which retains all penalties. The County also distributes both penalties and interest collected for delinquent unsecured property taxes.

L. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date contributed. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for equipment, \$25,000 for building and facility improvements and \$100,000 for infrastructure.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements	30-50 years
Machinery and Equipment	3-10 years
Infrastructure	30-100 years

In accordance with GASB Statement No. 34, the City has included all infrastructures in its Statement of Net Position.

The City defines infrastructure as basic physical assets that allow the City to function. The assets include the street system. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, streetlights and traffic control devices (signs, signals and pavement markings). These subsystems were not delineated in the Government-wide Financial Statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City has elected to use the Basic Approach, as defined by GASB Statement No. 34, for infrastructure reporting. The valuation of the City’s infrastructure assets are determined based on the original cost using one of the following methods:

1. Use of historical records where available
2. Standard unit costs appropriate for the construction/acquisition date of the asset
3. Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, was computed on a straight-line method. The book value was then computed by deducting the accumulated depreciation from the original cost.

M. Long-Term Debt

Government-wide Financial Statements: Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

Fund Financial Statements: The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Proprietary Fund Financial Statements use the same principles as those used in the Government-wide Financial Statements.

N. Unearned Revenue

Government-wide Financial Statements: In the Government-wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

P. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. New Funds

The SB 1 Road Maintenance Rehabilitation Special Revenue Fund was established to account for gas tax resources restricted for expenditure on basic road maintenance and rehabilitation projects on the State Highway System and the local street and road system. Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 provides funding for local streets and roads over the next 10 years.

The Traffic Congestion Relief Program Special Revenue Fund was established to account for revenues received from the State. These revenues must be used only for maintenance or reconstruction costs on public streets or roads.

R. OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by California Employers' Retiree Benefit Trust (CERBT). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2018.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. The City implemented this statement in current year. See additional information in Notes 8H and 12.

GASB Statement No. 81 – In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively. This statement had no impact on the City's financial statements.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 85 – In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City implemented this statement in current year. See additional information in Note 12.

GASB Statement No. 86 – In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This statement had no impact on the City’s financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash Deposits

The City’s cash and investments at June 30, 2018 are presented as follows:

Cash and investments	\$77,335,822
Restricted cash and investments	169,840
Fiduciary funds:	
Cash and investments	4,258,034
Restricted cash and investments	39,794
	\$81,803,490
Total cash and investments	\$81,803,490

Cash and investments consist of the following as of June 30, 2018:

Cash on hand		\$2,170
Deposits with financial institutions		6,046,449
Investments:		
Liquid investments	\$21,950,040	
Managed investments	53,804,831	75,754,871
		75,754,871
Total cash and investments		\$81,803,490

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Authorized Investments

Under the provisions of the City’s investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following, with the limitations as they relate to interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund	N/A	100%	\$65 million
Money Market Mutual Funds	N/A	20%	10%
Certificates of Deposit	3 years	50%	10%
Bankers' Acceptances	180 days	20%	10%
Commercial Paper	180 days	15%	5%
Repurchase Agreements	180 days	20%	10%
U.S. Treasury Bills, Notes and Bonds	5 years	100%	N/A
Supra-National Agency Notes and Bonds	5 years	10%	N/A
U.S. Government-Sponsored Enterprise Agencies	5 years	100%	20%
Medium-Term Corporate Notes	4 years	30%	3%
Asset-backed Securities	5 years	20%	3%

C. Interest Risk

Interest rate risk is the market rate changes that adversely affect the fair value of an investment. Generally, the sensitivity of an investment fair value to changes in market rates is greater when the maturity of the investment is longer.

Investments held in City Treasury grouped by maturity date at June 30, 2018, are shown below:

Investment Type	One Year or Less	13 months to 24 months	25 months to 36 months	37 months to 60 months	Total
Money Market Mutual Fund	\$212,991				\$212,991
Government Sponsored Enterprise Agencies:					
Federal Home Loan Bank Bonds (FHLB)	568,019	\$1,872,143			2,440,162
Federal National Mortgage Association Notes (FNMA)		2,729,022	\$1,050,580	\$385,373	4,164,975
Federal Home Loan Mortgage Corporation (FHLMC)		1,328,674			1,328,674
U.S. Treasury Notes		8,690,360	5,343,912		14,034,272
Supra-National Agency Notes and Bonds		539,066	2,500,209		3,039,275
Certificate of Deposit	2,440,936	4,912,773	2,193,170		9,546,879
Corporate Notes	3,125,919	4,823,460	4,630,331		12,579,710
Asset-Backed Securities		112,840	1,398,006	5,160,038	6,670,884
Local Agency Investment Funds (LAIF)	21,737,049				21,737,049
Total investments	\$28,084,914	\$25,008,338	\$17,116,208	\$5,545,411	75,754,871
Demand Deposits and Cash on Hand					6,048,619
Total cash and investments					\$81,803,490

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

<i>Investments by Fair Value Level:</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)		\$2,440,162	\$2,440,162
Federal National Mortgage Association Notes (FNMA)		4,164,975	4,164,975
Federal Home Loan Mortgage Corporation (FHLMC)		1,328,674	1,328,674
U.S. Treasury Notes	\$14,034,272		14,034,272
Supra-National Agency Notes and Bonds		3,039,275	3,039,275
Corporate Notes		12,579,710	12,579,710
Asset-backed Securities		6,670,884	6,670,884
	<u>\$14,034,272</u>	<u>\$30,223,680</u>	<u>44,257,952</u>
<i>Investments Measured at Amortized Cost:</i>			
Certificates of Deposit			9,546,879
Money Market Mutual Fund			212,991
California Local Agency Investment Fund (LAIF)			21,737,049
Cash in banks and on hand			6,048,619
			<u>\$81,803,490</u>

Investments above classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. Investments above classified in Level 2 of the fair value hierarchy are valued using a quoted price in a non-active market for an identical asset. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank. Certificates of Deposit, Money Market Mutual Fund and LAIF are valued at amortized cost and therefore, exempt from being classified under GASB 72.

E. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is usually measured by the assignment of a rating by a nationally recognized statistical rating organization.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2018, the City's deposit and investments were rated as follows:

Investment Type	Credit Quality Ratings		Market Value
	Moody's	S&P	
Securities of Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+	\$2,440,162
Federal Home Loan Mortgage Corporate Notes (FHLMC)	Aaa	AA+	1,328,674
Federal National Mortgage Association Notes (FNMA)	Aaa	AA+	4,164,975
U.S. Treasury Notes	Aaa	AA+	14,034,272
Corporate Notes:			
Goldman Sachs Group INC	A3	BBB+	544,707
IBM Corp	A1	A+	468,998
Cisco Systems Inc	A1	AA-	197,183
Wal-Mart Stores Inc	Aa2	AA	634,271
Honeywell International Corp	A2	A	148,131
American Express	A3	A-	541,772
American Honda Finance	A2	A+	546,495
JP Morgan Chase	A3	A-	542,568
Microsoft Corp	Aaa	AAA	212,253
BNY Mellon Corp	A1	A	542,740
Chevron Corp	Aa2	AA-	321,031
Walt Disney Company	A2	A+	577,341
HSBC USA Inc	A2	A	192,723
EXXON Mobil	Aaa	AA+	271,135
Toyota Motor	Aa3	AA-	616,056
Apple Inc Bonds	Aa1	AA+	540,205
Intel Corp	A1	A+	246,089
General Dynamics Corp	A2	A+	329,641
Home Depot Inc	A2	A	230,773
John Deere Capital Corp	A2	A	696,307
Branch Banking & Trust	A2	A-	542,455
Caterpillar Financing	A3	A	399,262
Johnson & Johnson Corp	Aaa	AAA	113,110
PACCAR Finance Group	A1	A+	339,624
Visa Inc	A1	A+	147,564
National Rural Util	A2	A	228,289
Unilever Capital	A1	A+	545,673
United Parcel Service	A1	A+	312,143
Morgan Stanley Corp	A3	BBB+	537,178
Hersey Company	A1	A	205,230
Charles Schwab Corp	A2	A	271,079
Bank of America Corp	A3	A-	537,684
Certificates of Deposit			
Svenska Handelsbanken NY	P-1	A-1+	871,200
Bank of Montreal Chicago	P-1	A-1	598,882
Sumitomo Mitsui Bank NY	P-1	A-1	970,854
Skandinav Enskilda Banken NY	Aa2	A+	1,065,726
MUFG Bank NY	A1	A	544,501
Credit Suisse NY	A1	A	549,980
Nordea Bank AB NY	Aa3	AA-	547,099
UBS AG Stamford CT	Aa2	A+	551,808
Credit Agricole NY	A1	A	550,608
Canadian IMP BK NY	A1	A+	549,999
Bank of Nova Scotia Houston	A1	A+	553,052
Westpac Banking Corp NY	Aa3	AA-	949,728
Swedbank NY	Aa2	AA-	538,515
Royal Bank of Canada NY	A1	AA-	704,927
Asset-backed Securities	Aaa	AAA	2,025,902
Asset-backed Securities	Aaa	Not Rated	2,936,191
Asset-backed Securities	Not Rated	AAA	1,708,791
Supra-National Agency Notes and Bonds	Aaa	AAA	3,039,275
Money Market	Aaa	AAAm	212,991
Subtotal			<u>54,017,822</u>
Not Rated:			
Cash on hand	Not Rated	Not Rated	2,170
US Bank General Checking	Not Rated	Not Rated	5,987,461
Money Market (Sweep Account)	Not Rated	Not Rated	58,988
Local Agency Investment Funds (LAIF)	Not Rated	Not Rated	<u>21,737,049</u>
Total Investments			<u>\$81,803,490</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

The City’s investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments are as follows at June 30, 2018:

Issuer	Investment Type	Amount
Federal National Mortgage Association Notes (FNMA)	Government Sponsored Enterprise Agencies	\$4,164,975

G. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

As of June 30, 2018, the City's bank balance was \$7,726,501 and the corresponding carrying book balance was \$5,925,781. Of the bank balance, \$250,000 was covered by federal depository insurance and \$7,476,501 was collateralized.

Investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

H. Investment in State Investment Pool

The City is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool as reported in the accompanying financial statements is based upon the Entity’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

As of June 30, 2018, the City held \$21,737,049 in LAIF. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF and average maturity of 193 days.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers

Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount</u>	
General Fund	Capital Projects Fund	\$3,879,531	(A)
	Non-Major Governmental Funds	166,060	(B)(D)
Non-Major Governmental Funds	General Fund	158,506	(C)
	Capital Projects Fund	<u>1,510,248</u>	(A)
		<u>\$5,714,345</u>	

Interfund transfers were principally used for the following purposes,

- (A) To fund capital projects
- (B) Maintain minimum fund balance in Debt Service
- (C) Public safety related funds paid to the General Fund
- (D) Traffic fines paid to the General Fund

B. Due to/from other funds

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of interfund balances as of June 30, 2018:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$559,945
	Storm Drain Enterprise Fund	<u>9,500</u>
	Total	<u>\$569,445</u>

NOTE 4 – NOTE RECEIVABLE

The City entered into a loan agreement with the City Manager on November 1, 2016, to provide the City Manager a long-term loan of up to \$2,000,000 to finance the acquisition of his personal residence located within the City. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within six to twelve months after the termination of the City Manager’s employment with the City depending on the cause of termination, or 30 years from the date of the loan agreement execution, whichever occurs first. The loan bears an interest rate at the 5 Year Treasury Rate as of September 1, 2016 amortized over a thirty-year period and recalculated to the 5 year Treasury Rate every five years of the original date of the loan. At June 30, 2018, the outstanding balance of this loan was \$1,895,206.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS

A. Government-wide Financial Statements

At June 30, 2018, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable assets:			
Construction in progress	\$6,869,136	\$768,187	\$7,637,323
Land	11,642,285		11,642,285
Total nondepreciable assets	<u>18,511,421</u>	<u>768,187</u>	<u>19,279,608</u>
Depreciable assets:			
Buildings	21,637,868	17,726,839	39,364,707
Improvements	6,325,889		6,325,889
Machinery and equipment	6,208,419	1,103,287	7,311,706
Infrastructure	39,507,935	2,545,530	42,053,465
Total depreciable assets	73,680,111	21,375,656	95,055,767
Less accumulated depreciation	<u>(29,421,709)</u>	<u>(12,693,584)</u>	<u>(42,115,293)</u>
Total depreciable assets, net	<u>44,258,402</u>	<u>8,682,072</u>	<u>52,940,474</u>
Total capital assets	<u>\$62,769,823</u>	<u>\$9,450,259</u>	<u>\$72,220,082</u>

The following is a summary of capital assets for governmental activities for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Governmental Activities:					
Capital assets, not depreciated:					
Land	\$11,642,285				\$11,642,285
Construction in progress	7,788,517	\$8,181,645		(\$9,101,026)	6,869,136
Total capital assets, not depreciated	<u>19,430,802</u>	<u>8,181,645</u>		<u>(9,101,026)</u>	<u>18,511,421</u>
Depreciable assets:					
Buildings	21,637,868				21,637,868
Improvements	5,330,448			995,441	6,325,889
Machinery and equipment	5,744,498	695,928	(\$232,007)		6,208,419
Infrastructure	31,402,350			8,105,585	39,507,935
Total cost of depreciable assets	<u>64,115,164</u>	<u>695,928</u>	<u>(232,007)</u>	<u>9,101,026</u>	<u>73,680,111</u>
Less accumulated depreciation:					
Buildings	(9,829,941)	(400,706)			(10,230,647)
Improvements	(2,047,430)	(180,014)			(2,227,444)
Machinery and equipment	(4,330,941)	(365,521)	232,007		(4,464,455)
Infrastructure	(11,257,821)	(1,241,342)			(12,499,163)
Total accumulated depreciation	<u>(27,466,133)</u>	<u>(2,187,583)</u>	<u>232,007</u>		<u>(29,421,709)</u>
Net depreciable assets	<u>36,649,031</u>	<u>(1,491,655)</u>		<u>9,101,026</u>	<u>44,258,402</u>
Governmental Activity Capital Assets, Net	<u>\$56,079,833</u>	<u>\$6,689,990</u>			<u>\$62,769,823</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

Functions/Programs	Total
Public safety	\$177,513
Public works	1,294,849
Recreation	493,894
Admin / community services	221,327
Total depreciation expense	\$2,187,583

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2017	Additions	Transfers	Balance Transfers
Business-Type Activities:				
Capital assets, not depreciated:				
Construction in progress		\$1,344,496	(\$576,309)	\$768,187
Total capital assets, not depreciated:		1,344,496	(576,309)	768,187
Capital assets, being depreciated:				
Buildings	\$17,726,839			\$17,726,839
Machinery and equipment	1,069,493	33,794		1,103,287
Infrastructure	1,969,221		576,309	2,545,530
Total cost of depreciable assets	20,765,553	33,794	576,309	21,375,656
Less accumulated depreciation:				
Buildings	(9,739,327)	(263,155)		(10,002,482)
Machinery and equipment	(653,539)	(53,934)		(707,473)
Infrastructure	(1,969,221)	(14,408)		(1,983,629)
Total accumulated depreciation	(12,362,087)	(331,497)		(12,693,584)
Net depreciable assets	8,403,466	(297,703)	576,309	8,682,072
Business-type Activity Capital Assets, Net	\$8,403,466	\$1,046,793		\$9,450,259

Depreciation expense for business-type activities related to the Sewer Fund amounted to \$331,497 for the year ended June 30, 2018.

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present capital assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

The capital assets of the Enterprise Funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-wide Financial Statements.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Debt

Summary of changes in governmental activities long-term debt for the year ended June 30, 2018 is as follows:

	Balance at June 30, 2017	Retirements	Balance at June 30, 2018	Due Within One Year	Due in More Than One Year
Certificate of participation	\$1,355,000	(\$110,000)	\$1,245,000	\$120,000	\$1,125,000

2004 Refunding Certificate of Participation: On November 1, 1996, the City issued \$2,630,000 principal amount of Certificates of Participation (ABAG 38 COPs). The purpose of the ABAG 38 COPs was to finance the partial purchase of the 5.5 acre Saint William School site for public purposes and uses. During 2004 the City issued \$2,500,000 of 2004 Refunding Certificates of Participation to advance refund \$2,390,000 of outstanding principal on the ABAG 38 Certificates of Participation, set up reserve funds, and to pay related issuance costs. The entire ABAG 38 Certificates of Participation had been paid off by June 30, 2004. This advance refunding was undertaken to reduce total future debt service payments.

At June 30, 2018, future debt service requirements for the 2004 Refunding were as follows:

Year ending June 30	Principal	Interest	Total
2019	\$120,000	\$51,880	\$171,880
2020	120,000	47,200	167,200
2021	125,000	42,400	167,400
2022	130,000	37,400	167,400
2023	140,000	31,875	171,875
2024 - 2027	610,000	66,512	676,512
Total	\$1,245,000	\$277,267	\$1,522,267

B. Non-City Obligations

The following bonds are not reported in the City's financial statements as they are special obligations payable solely from and secured by specific revenue sources as described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City is pledged for payment of these obligations.

	Balance June 30, 2017	Retirements	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Raymundo Curb and Gutter	\$92,000	(\$21,000)	\$71,000	\$22,000	\$49,000
Blue Oak Lane	545,000	(15,000)	530,000	15,000	515,000
Total	\$637,000	(\$36,000)	\$601,000	\$37,000	\$564,000

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

Raymundo Special Assessment Districts: The Raymundo Curb and Gutter Assessment District Improvement Bonds were issued on August 3, 2005 to provide financing for the street improvements in that District. The bonds are payable from a special property tax levied to those residents living within the respective District.

Blue Oak Lane Special Assessment District: On November 5, 2009, Limited Obligation Improvement Bonds were issued for a newly formed Blue Oak Lane Sewer Assessment District (series 2009) to finance the acquisition and construction, by the City, of sanitary sewer improvements serving properties within the subject assessment District. These bonds are issued upon and secured by individual parcel levied assessments to be included in the annual property tax billings annually. The Bonds mature in 2039, were issued in a principal amount of \$662,880 and are subject to semi-annual debt service payments administered by the City.

NOTE 7 – COMPENSATED ABSENCES PAYABLE

The City's compensated absences at June 30, 2018, were as follows:

	Governmental Activities	Business-type Activities	Total
Balance at July 1, 2017	\$1,503,785	\$64,292	\$1,568,077
Additions	1,097,264	89,499	1,186,763
Payments	(956,367)	(68,833)	(1,025,200)
Balance at June 30, 2018	<u>\$1,644,682</u>	<u>\$84,958</u>	<u>\$1,729,640</u>
Current Portion	<u>\$411,171</u>	<u>\$21,240</u>	<u>\$432,411</u>
Long-Term Portion	<u>\$1,233,511</u>	<u>\$63,718</u>	<u>\$1,297,229</u>

NOTE 8 – NET POSITION AND FUND BALANCES

A. Fund Balances

In the fund financial statements, governmental funds report the following classifications: non-spendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision making authority for the City, can commit fund balances through the adoption of a formal action in accordance with the adoption of its annual Financial Policy. This formal action includes committing funds through budget adoption or by resolution. This policy authorizes the City Manager to assign fund balances and has set the budgetary level of control at the Fund and Capital Project level for the governing body and the department level for the City Manager and assignees.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

B. General Fund Reserve

The City Council has established a General Fund Reserve goal level of 20% of annual operating expenditures has set funds aside accordingly through its annual budgetary actions. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts or State takeaways and can be activated within any one budget cycle through Council action. An economic downturn would entail a projected and/or sudden drop in core revenues (major tax and service revenue loss) of equal to or greater than 5% (including the impact of inflation) and/or a change in economic parameters (such as interest rates, debt service rates, commodity prices, pension rates) that cause a material change in expenditures of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances. In fiscal year 2017/18, in line with budget approval, the City reallocated the pre-established State Budget Stabilization reserve into the aforementioned General Fund reserve. This results in the establishment of one Reserve balance to assist in periods of economic downturn or extraordinary need. The City achieved its reserve goal of 20% during fiscal year 2017/18.

C. Classifications

In the Government-wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for government funds are made up of the following:

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

- *Assigned Fund Balance* – comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – conveys the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

D. Policies

Order of Use

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent. The City considers restricted amounts to have been spent first when expenditures are incurred and both restricted and unrestricted fund balances are available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Assignment and Commitment Authority

The City Council has approved by resolution a financial policy authorizing the City Manager to assign fund balances to facilitate year-end reporting requirements. The City Council, as the highest level of decision making authority for the City, has the ability to commit fund balances through the adoption by resolution. The same action must be taken to modify or rescind the commitment.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

E. Fund Balances

Fund balances for all the major and non-major governmental funds as of June 30, 2018 were distributed as follows:

Fund Balance Classifications	General	In Lieu Park Land	Capital Projects	Other Governmental Funds	Total
Nonspendables:					
Inventory and prepaids	\$26,760				\$26,760
Notes receivable	1,895,206				1,895,206
Veteran Memorial	9,986				9,986
Total Nonspendable Fund Balances	1,931,952				1,931,952
Restricted for:					
Debt service				\$364,179	364,179
Special revenue programs and projects		\$5,253,528		4,490,006	9,743,534
Total Restricted Fund Balances		5,253,528		4,854,185	10,107,713
Assigned to:					
Emergency and operating	7,250,645				7,250,645
OPEB	1,500,000				1,500,000
PERS reserve	4,000,000				4,000,000
Technology reserve	2,403,554				2,403,554
Capital and equipment (Note 8I)	23,432,734			1,335,148	24,767,882
Total Assigned Fund Balances	38,586,933			1,335,148	39,922,081
Unassigned	4,874,898		(\$823,098)		4,051,800
Total Unassigned Fund Balances	4,874,898		(823,098)		4,051,800
Total Fund Balances	\$45,393,783	\$5,253,528	(\$823,098)	\$6,189,333	\$56,013,546

F. Net Deficit

The funds listed in the table below had fund balance deficits at June 30, 2018. These deficits are expected to be eliminated by future revenues.

Fund	Fund Deficit
Capital Projects Fund	\$823,098
Storm Drain Enterprise Fund	23,938

G. OPEB Reserves

As of June 30, 2018, \$1,500,000 million in General Fund reserves have been assigned in recognition of existing Post-Retirement Health Actuarial Liability noted above.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

H. Restatements of Net Position

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net positions as of July 1, 2017 of the Governmental Activities, Business-Type Activities, Sewer Enterprise Fund, Solid Waste Enterprise Fund and Storm Drain Enterprise Fund were restated and reduced by \$403,249, \$35,189, \$28,612, \$2,193 and \$4,384, respectively. See Note 12 for additional information.

I. Capital Projects Reserves

As of June 30, 2018 the City had set-aside \$23,432,734 for the construction of a new community center that is financed by resources other than proprietary funds. This amount includes \$10,520,361 from the City’s Real Property Proceeds Fund and \$12,912,373 in the City’s Community Facilities Renewal Fund, which are presented with the General Fund in the financial statements. While these funds are not restricted by outside funding sources, the fund balance is assigned for the new community center.

	Real Property Proceeds Fund	Community Facilities Renewal Fund
Beginning Fund Balance as of July 1, 2017	\$10,470,200	\$13,350,992
Revenues		
Interest Income	50,161	
Total Revenues	50,161	
Other Financing Sources (Uses)		
Transfers out		(438,619)
Total Other Financing Sources (Uses)		(438,619)
Ending Fund Balance as of June 30, 2018	\$10,520,361	\$12,912,373

J. Encumbrances

The City utilized an encumbrance system during fiscal year 2018 to assist in controlling expenditures. Under this system, governmental funds are encumbered when purchase orders, contracts, or other commitments are signed or approved. The General fund had an encumbrance balance at June 30, 2018, of \$256,296 that will be carried over to fiscal year 2019.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – RISK MANAGEMENT

A. *Bay Cities Joint Powers Insurance Authority*

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and floods for which the City is insured through Bay Cities Joint Powers Insurance Authority (Bay Cities).

The City has joined Bay Cities for general liability, property, errors and omissions, crimes and automobile physical damage coverage in the current year. Bay Cities is a public agency created in 1986 by and among various municipalities in Northern California to provide a pooled approach to liability insurance pursuant to the California Government Code. It is governed by a Board of Directors comprised of appointed officials from the member entities. The purpose of the pool is to provide various levels of liability coverage, claims administration, and loss control support to member agencies. Annually, each member pays an actuarially determined premium based on a formula which takes into account the prior three years' loss experience, annual payroll, and population.

Bay Cities provides coverage for its Members in excess of the member's retained limit, or self-insured retention (SIR), up to \$1,000,000 per occurrence. Each Member retains the portion of every loss that falls within their SIR, ranging from \$2,500 to \$1,000,000. Bay Cities is also a member of the California Affiliated Risk Management Authorities (CARMA), a risk sharing joint powers authority. When losses exceed the \$1,000,000 per occurrence limit, CARMA provides coverage up to \$28,000,000.

The City self-insures the first \$100,000 of each liability loss. Once the City's deductible is met, Bay Cities becomes responsible for payment of all claims up to the upper limit. During the year ended June 30, 2018, the City contributed \$65,849 for current year coverage.

The City continues to carry excess insurance policy for Workers' Compensation claims through the CSAC Excess Insurance Authority JPA up to the statutory limits and does so using the services of a contracted third-party administrator. The City has a \$250,000 deductible as of June 30, 2018. During the year, the City contributed \$812,120 for current year coverage.

As of June 30, 2018, \$31,828 of revolving funds was held in trust on behalf of the City by the workers' compensation third-party claims administrator. \$20,000 is also being held by Bay Cities in the procurement of liability and claims coverage. The City will receive these funds upon termination of services subject to final withdrawal adjustments.

The Bay Cities financial statements may be obtained from Bay Cities Joint Powers Insurance Authority, Bickmore, 1750 Creekside Oaks Drive Suite 200, Sacramento, CA 95833. CSAC Excess Insurance Authority financial statements may be obtained from CSAC Excess Insurance Authority, 75 Iron Point Circle Suite 200, Folsom, CA 95630.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

The GASB requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed in the section above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion, of these claims. The current accounting standards require that this amount be separately identified and recorded as a liability. Changes in the balances of claims liabilities during the past three years were as follows:

	June 30,		
	2018	2017	2016
Unpaid claims, beginning of year	\$3,433,475	\$3,937,000	\$4,146,000
Incurred claims and changes in estimates	779,259	463,328	106,548
Claim payments	(632,734)	(966,853)	(315,548)
Unpaid claims, end of year	<u>\$3,580,000</u>	<u>\$3,433,475</u>	<u>\$3,937,000</u>
Current Portion	<u>\$831,733</u>	<u>\$643,503</u>	<u>\$650,101</u>
Long-Term Portion	<u>\$2,748,267</u>	<u>\$2,789,972</u>	<u>\$3,286,899</u>

In conformance with current accounting standards the City obtained an independent actuarial valuation of all outstanding Workers Compensation and Liability claims. The Workers Compensation report presented a valuation as of June 30, 2017 and projected values through fiscal years 2018 and 2019. The fiscal year 2017-2018 values presented above reflect the estimated present value of open claims as developed in this actuarial report. The General Liability report presented a valuation as of June 30, 2017 and projected values through fiscal year 2019. The estimated amount of claims and judgments due within one year is \$831,733.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – SELF-FUNDED REIMBURSEMENT DENTAL PLAN

The City provides a self-funded reimbursement based dental plan. The City’s contribution for this plan is accounted for in the Dental Reimbursement Fund. The City contributed \$75 per month for each fulltime budgeted position. The funds accumulated are used to reimburse full-time salaried employees and their dependents, as well as council members for covered dental claims. There are no administrative charges for this plan. The Dental Reimbursement Fund maintains a positive fund balance of \$57,161 with contributions and reimbursements for the past five fiscal years as follows:

Fiscal year ended June 30,	Contribution Amount	Reimbursement Amount
2014	\$110,284	\$119,137
2015	123,225	128,498
2016	122,400	155,793
2017	121,350	125,208
2018	127,800	177,094
Total	<u>\$605,059</u>	<u>\$705,730</u>

The dental plan year commences January 1st of each calendar year. An annual maximum dental reimbursement of \$1,804 is provided for each employee and \$1,202 for each of their dependents. Any remaining balance in the fund for each dental year is carried forward to the following year. In subsequent dental years, the maximum dental coverage for both employees and dependents is increased annually based on the Consumer Price Index but not to exceed 3%.

NOTE 11 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous and Safety Tier I, Tier II and PEPRAs Employee Pension Rate Plan. The City’s Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors three miscellaneous and three safety rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous - Tier 1</u>
Hire date	Prior to January 1, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-67
Monthly benefits, as a % of eligible compensation	2.00% - 2.7%
Required employee contribution rates	7.951%
Required employer contribution rates	11.675%
	<u>Miscellaneous - Tier 2</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	2% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-67
Monthly benefits, as a % of eligible compensation	1.092% - 2.418%
Required employee contribution rates	7.000%
Required employer contribution rates	7.200%
	<u>Miscellaneous - PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	1.00% - 2.50%
Required employee contribution rates	6.250%
Required employer contribution rates	6.533%

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

	<u>Safety - Tiers 1 and 2</u>
Hire date	Prior to January 1, 2012
Benefit formula	3% @ 50
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-55
Monthly benefits, as a % of eligible compensation	3.00%
Required employee contribution rates	8.988%
Required employer contribution rates	19.723%

	<u>Safety- Tier 3</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	3% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-55
Monthly benefits, as a % of eligible compensation	2.400-3.000%
Required employee contribution rates	8.982%
Required employer contribution rates	16.842%

	<u>Safety- PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-57
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	11.500%
Required employer contribution rates	11.990%

Beginning in fiscal year 2017, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$1,543,970 in fiscal year 2018.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$1,769,644	\$1,390,429

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$20,265,838
Safety	15,919,233
Total Net Pension Liability	\$36,185,071

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2016	0.20%	0.16%
Proportion - June 30, 2017	0.51%	0.27%
Change - Increase (Decrease)	0.31%	0.11%

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$7,898,638. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$3,160,073	
Differences between actual and expected experience	193,164	(\$394,413)
Changes in assumptions	5,481,482	(419,122)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(959,516)
Net differences between projected and actual earnings on plan investments	1,219,820	
Adjustments due to differences in proportion	811,050	(151,507)
Total	\$10,865,589	(\$1,924,558)

\$3,160,073 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$1,398,490
2020	3,201,804
2021	1,900,315
2022	(719,651)

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability is based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS' Membership Data for all funds (2)

(1) Net of pension plan investment expenses, including inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2016 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2017 measurement date was net of administrative expenses. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2016 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$30,269,560	\$24,001,906
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$20,265,838	\$15,919,233
1% Increase	8.15%	8.15%
Net Pension Liability	\$11,980,575	\$9,312,052

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The City’s Post Employment Benefit Plan is an agent-multiple-employer defined benefit healthcare plan administered by the California Employers’ Retiree Benefit Trust (CERBT).

Benefits Provided – The provisions and benefits of the City’s Other Post Employment Benefit Plan in effect at June 30, 2018, are summarized as follow:

	All Bargaining Units									
Eligibility	Retire directly from the City under CalPERS (age 50 and 5 years of service or disability)									
Benefit	<ul style="list-style-type: none"> - 5% of active contribution times years in PEMHCA (increase each year not greater than \$100 per month) - Joined PEMHCA in 2001 - 100% of PEMHCA minimum in 2021 - Monthly amounts: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th style="text-align: left;"><u>Actives</u></th> <th style="text-align: left;"><u>Retirees</u></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>\$ 128.00</td> <td>\$ 102.40</td> </tr> <tr> <td>2018</td> <td>133.00</td> <td>113.05</td> </tr> </tbody> </table> 	<u>Year</u>	<u>Actives</u>	<u>Retirees</u>	2017	\$ 128.00	\$ 102.40	2018	133.00	113.05
<u>Year</u>	<u>Actives</u>	<u>Retirees</u>								
2017	\$ 128.00	\$ 102.40								
2018	133.00	113.05								
Surviving Spouse Benefit	Surviving spouse coverage continues based on CalPERS retirement plan election									

For the year ended June 30, 2018, the City’s contributions to the Plan were \$143,000.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017

Active employees	125
Inactive employees or beneficiaries currently receiving benefit payments	50
Inactive employees entitled to but not yet receiving benefit payments	74
Total	249

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2017 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Valuation Date	• January 1, 2017
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Contribution Policy	• City contributes full Actuarial Determined Contribution through CERBT #1
Discount Rate and Long Term Expected Rate of Return on Assets	• 6.75% at June 30, 2017
	• 6.75% at June 30, 2016
	• Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	• 2.75% per annum
Termination	• CalPERS 1997-2011 Experience Study
Mortality Improvement	• Mortality Improvement Scale MP-16
Salary Increases	• Aggregate - 3%
	• Merit - CalPERS 1997-2011 Experience Study
Medical Trend	• Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
	• Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	• 4.25% for 2019+
Healthcare participation	• 60%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	57.0%	4.9%
Fixed income	27.0%	1.5%
TIPS	5.0%	1.3%
Commodities	3.0%	0.8%
REITs	8.0%	3.8%
Total	100.0%	

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Amounts in 000's		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2016 Measurement Date	\$2,987	\$1,515	\$1,472
Changes Recognized for the Measurement Period:			
Service Cost	154		154
Interest on the total OPEB liability	207		207
Changes in benefit terms			0
Differences between expected and actual experience			0
Changes of assumptions			0
Contributions from the employer		135	(135)
Net investment income		160	(160)
Benefit payments	(134)	(134)	0
Administrative expenses		(2)	2
Net changes	227	159	68
Balance at June 30, 2017 Measurement Date	\$3,214	\$1,674	\$1,540

The City paid \$135,000 for retiree healthcare plan benefits, including \$57,000 in premium payments for retirees, \$77,000 for implied subsidies, and \$1,000 for administrative costs. The plan does not issue separate financial statements.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

Net OPEB Liability/(Asset) (Amounts in 000's)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
\$1,985	\$1,540	\$1,172

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12– OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The following table presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point or 1-percentage-point higher than the current healthcare cost trend rates.

The healthcare cost trend are as follows:

- Non-Medicare: 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2026 and later years.
- Medicare: 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2026 and later years.
-

Net OPEB Liability/(Asset) (Amounts in 000's)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$1,133	\$1,540	\$2,042

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$249,000. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Amounts in 000's	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$143	
Differences between actual and expected experience		
Changes of assumptions		
Net differences between projected and actual earnings on plan investments		(\$46)
Total	\$143	(\$46)

\$143,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$12)
2020	(12)
2021	(12)
2022	(10)
Total	(\$46)

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – CONTINGENCIES

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are reasonably sufficient to cover any potential losses should an unfavorable outcome materialize.

The City participates in several Federal and State grant programs. These programs are subject to the audits by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 14 – OTHER INFORMATION

A. *Joint Powers Agreements*

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence of member agencies beyond their representation of the board.

City of Palo Alto Regional Water Quality Control Plant: The City has an agreement with the City of Palo Alto to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant. It was formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The agreement provides that the City will purchase capacity for 50 years. The City of Palo Alto acts as administrator and bills each member its share of the operating costs. The audited financial statements can be obtained by contacting the City of Palo Alto at P.O. Box 10250, Palo Alto, CA 94303.

North County Library Authority (NCLA): The NCLA, formed in 1985 by a joint exercise of powers agreement between the City and the Town of Los Altos Hills, provides library services for member residents. The NCLA was created to provide financing for capital improvements and additional services by the public libraries serving the area. Although the City owns the libraries and their sites, the County of Santa Clara (County) is responsible for all library operations. However, since 1985, the NCLA has levied a voter approved special parcel tax to compensate for service reductions due to cutbacks by the County. The special tax has been collected by the County, transferred to the City, on behalf of NCLA, and then transferred back to the County for the specifically requested services provided by the libraries within the NCLA's service area. The City performs administrative and accounting services for NCLA. In 1991, the NCLA issued Special Tax Bonds in the amount of \$3,645,000. The Special Tax Bonds were repaid off as of June 30, 2012. In 2010, NCLA successfully passed an updated twenty year parcel tax extending the assessment term to 2030. No new debt was issued in association with this election. The audited financial statements can be obtained by contacting the NCLA at One North San Antonio Road, Los Altos, CA 94022.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 – OTHER INFORMATION (Continued)

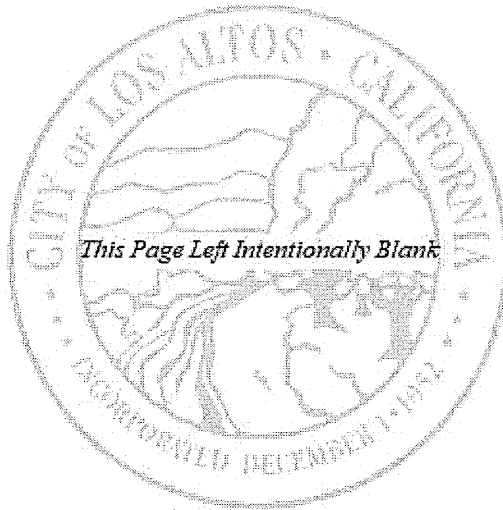
Community Health Awareness Council (CHAC): CHAC was organized as a joint powers agency between the City of Los Altos, City of Mountain View, Town of Los Altos Hills, Los Altos School District, Mountain View Whisman School District, and Mountain View-Los Altos High School District. CHAC provides prevention and intervention services concentrating on positive alternatives to health abuse and self-destructive behaviors within the communities served. The audited financial statements can be obtained by contacting CHAC at P.O. Box 335, Mountain View, California, 94042.

Silicon Valley Clean Energy Authority: The Silicon Valley Clean Energy Authority (SVCEA) was established in 2016 by 12 agencies in Santa Clara County including the City of Los Altos. The purpose of SVCEA is to enable the member agencies to pool the electricity demand within their jurisdictions to directly procure or generate electrical power supplies on behalf of the residents and businesses in their communities, thus allowing those agencies to provide a clean energy option for residents at a competitive price with traditional energy sources. As part of the implementation of SVCEA, the City of Los Altos paid \$100,000 for its portion of the start-up costs. These funds are to be reimbursed to the City once the Authority has achieved financial sustainability.

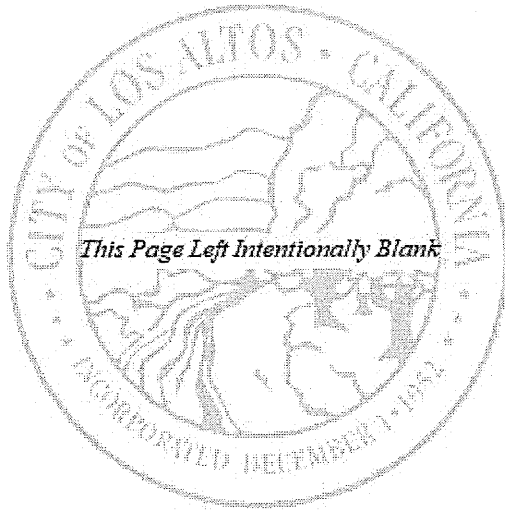
NOTE 15 – OTHER COMMITMENTS

A summary of remaining authorized CIP project balances at June 30, 2018 for all City funds by service area are as follows:

Construction in progress:	
Streets and Roadways	\$2,116,124
Pedestrian Safety	6,916,275
Infrastructure and Facilities	3,073,693
Parks	1,820,463
Sewer	4,414,498
Technology	1,208,924
Community Development	803,636
Total	\$20,353,613



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIO

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Proportionate Share of the
Net Pension Liability and Related Ratio as of the Measurement Date

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

Measurement Date	Miscellaneous Pool			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.42907%	0.50595%	0.20298%	0.51409%
Plan's proportion share of the Net Pension Liability (Asset)	\$10,604,408	\$13,880,661	\$17,564,072	\$20,265,838
Plan's Covered Payroll	7,736,180	7,806,721	8,434,058	8,337,461
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137.08%	177.80%	208.25%	243.07%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	78.28%	73.20%	75.39%

Measurement Date	Safety Pool			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.24026%	0.25820%	0.16023%	0.26642%
Plan's proportion share of the Net Pension Liability (Asset)	\$9,011,972	\$10,639,010	\$13,864,825	\$15,919,233
Plan's Covered Payroll	3,607,754	3,645,893	3,885,679	3,686,478
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	249.79%	291.81%	356.82%	431.83%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.46%	78.52%	73.96%	71.74%

* Fiscal year 2015 was the 1st year of implementation.

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Contributions
Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

	Miscellaneous Pool			
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	\$1,081,811	\$1,456,475	\$1,544,680	\$1,769,644
Contributions in relation to the actuarially determined contributions	(1,081,811)	(1,456,475)	(1,544,680)	(1,769,644)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$7,806,721	\$8,434,058	\$8,337,461	\$9,734,936
Contributions as a percentage of covered payroll	13.86%	17.27%	18.53%	18.18%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016

	Safety Pool			
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	\$924,466	\$1,134,277	\$1,205,365	\$1,390,429
Contributions in relation to the actuarially determined contributions	(1,076,741)	(1,134,277)	(1,205,365)	(1,390,429)
Contribution deficiency (excess)	<u>(\$152,275)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$3,645,893	\$3,885,679	\$3,686,478	\$4,233,297
Contributions as a percentage of covered payroll	29.53%	29.19%	32.70%	32.85%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation.

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Changes in the Net Other Post-Employment Benefits Liability and Related Ratios
Retiree Healthcare OPEB Plan – Agent Multiple Employer
Last 10 fiscal years*
(Amounts in 000's)

Measurement Date	6/30/17
Total OPEB Liability	
Service Cost	\$154
Interest	207
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	(134)
Net change in total OPEB liability	227
Total OPEB liability - beginning	2,987
Total OPEB liability - ending (a)	\$3,214
Plan fiduciary net position	
Contributions - employer	\$135
Contributions - employee	
Net investment income	160
Administrative expense	(2)
Benefit payments	(134)
Net change in plan fiduciary net position	159
Plan fiduciary net position - beginning	1,515
Plan fiduciary net position - ending (b)	\$1,674
 Net OPEB liability - ending (a)-(b)	 \$1,540
 Plan fiduciary net position as a percentage of the total OPEB liability	 52.08%
 Covered-employee payroll	 \$12,546
 Net OPEB liability as a percentage of covered-employee payroll	 12.27%

* Fiscal year 2018 was the first year of implementation.

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF CONTRIBUTIONS

Retiree Healthcare OPEB Plan - Agent Multiple Employer

Last 10 fiscal years*

(Amounts in 000's)

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially determined contribution	\$304
Contributions in relation to the actuarially determined contribution	143
Contribution deficiency (excess)	\$161
Covered-employee payroll	\$14,000
Contributions as a percentage of covered-employee payroll	1.02%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION
Retiree Healthcare OPEB Plan - Agent Multiple Employer
Methods and Assumptions for Actuarially Determined Contribution

Valuation Date	• 1/1/2017
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Amortization Method	• Level percent of pay
Amortization Period	• 16.3-year average fixed period for 2017/18
Asset Valuation Method	• Investment gains and losses spread over 5-year rolling period
Discount Rate	• 6.75%
General Inflation	• 2.75%
Medical Trend	• Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years • Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality, Retirement, Disability, Termination	• CalPERS 1997-2011 Experience Study
Mortality Improvement	• Mortality Improvement Scale MP-16
PEMHCA Minimum Increases	• 4.25% for 2019+
Healthcare participation	• 60%

CITY OF LOS ALTOS
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property tax	\$20,132,700	\$20,132,700	\$21,428,500	\$1,295,800
Sales tax	3,268,700	3,268,700	3,243,554	(25,146)
Utility users	2,630,000	2,630,000	2,732,325	102,325
Other tax	3,859,500	3,859,500	4,534,886	675,386
Licenses, permits and fees	8,310,700	3,623,800	4,055,230	431,430
Grants and donations			82,101	82,101
Charges for services		4,501,500	4,510,749	9,249
Fines and forfeitures		178,500	158,664	(19,836)
Interest and rentals	219,000	219,000	303,377	84,377
Other		137,300	128,007	(9,293)
Total revenues	<u>38,420,600</u>	<u>38,551,000</u>	<u>41,177,393</u>	<u>2,626,393</u>
Expenditures:				
General government:				
Public Safety	17,386,509	17,477,998	17,465,711	12,287
Public Works	8,093,793	5,859,101	5,783,953	75,148
Recreation	2,275,468	2,424,972	2,509,280	(84,308)
Community development	2,863,734	5,571,190	5,180,470	390,720
Admin/community services	5,633,718	5,605,723	4,772,919	832,804
Total expenditures	<u>36,253,222</u>	<u>36,938,984</u>	<u>35,712,333</u>	<u>1,226,651</u>
Excess of revenues over expenditures	<u>2,167,378</u>	<u>1,612,016</u>	<u>5,465,060</u>	<u>3,853,044</u>
Other financing sources (uses):				
Transfers in			158,506	158,506
Transfers out			(4,045,591)	(4,045,591)
Total other financing sources (uses)			<u>(3,887,085)</u>	<u>(3,887,085)</u>
Net change in fund balance	<u>\$2,167,378</u>	<u>\$1,612,016</u>	1,577,975	<u>(\$34,041)</u>
Fund balance at beginning of year			<u>43,815,808</u>	
Fund balance at end of year			<u>\$45,393,783</u>	

CITY OF LOS ALTOS
 IN-LIEU PARK LAND SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rentals			\$24,576	\$24,576
Intergovernmental		\$255,000	1,092,500	837,500
Total Revenues		255,000	1,117,076	862,076
Expenditures:				
Capital improvement		841,400	251,257	590,143
EXCESS OF REVENUES OVER EXPENDITURES		(586,400)	865,819	271,933
NET CHANGE IN FUND BALANCE		(586,400)	865,819	\$271,933
Beginning fund balance			4,387,709	
Ending fund balance			\$5,253,528	

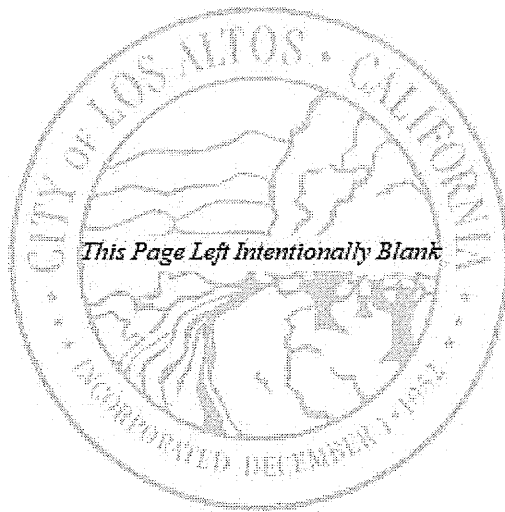
CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

1. *Budget and Budgetary Accounting*

The City adopts a budget annually for General Fund, Special Revenue Funds, (except for the Storm Drain Deposits Fund), and Equipment Replacement Capital Projects Fund that is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget during the fiscal year. The City Manager is authorized to transfer budgeted amount between departments and line items within any fund to achieve a balanced budget; however, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year-end unless otherwise authorized by the City Council and the City Manager, except for capital improvement projects and open purchase order commitments for which appropriations endure until the project or obligation is completed.

Budgets are adopted on a basis consistent with generally accepted accounting principles except for capital projects funds, which are adopted on a project length basis, which means budgets are used until the project's completion for the entire project amount.

OTHER SUPPLEMENTARY INFORMATION



GENERAL FUND

General Fund – Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in other funds. The General Fund supports essential City services such as police, fire, street and parks maintenance, maintenance services, community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from the sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

CITY OF LOS ALTOS
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2018

	General	Community Facilities Renewal Fund	Real Property Proceeds	Total General Fund
ASSETS				
Cash and investments	\$20,357,551	\$12,912,373	\$10,506,259	\$43,776,183
Receivables, net of allowance for uncollectibles:				
Accounts	1,306,049			1,306,049
Interest	64,812		14,102	78,914
Prepays	19,974			19,974
Notes receivable	1,895,206			1,895,206
Inventory	6,786			6,786
Due to other funds	569,445			569,445
	<u>\$24,219,823</u>	<u>\$12,912,373</u>	<u>\$10,520,361</u>	<u>\$47,652,557</u>
LIABILITIES				
Accounts payable	\$1,273,521			\$1,273,521
Accrued liabilities	807,629			807,629
Other payable	177,624			177,624
	<u>2,258,774</u>			<u>2,258,774</u>
FUND BALANCES				
Fund balance:				
Nonspendable	1,931,952			1,931,952
Assigned	15,154,199	\$12,912,373	\$10,520,361	38,586,933
Unassigned	4,874,898			4,874,898
	<u>21,961,049</u>	<u>12,912,373</u>	<u>10,520,361</u>	<u>45,393,783</u>
Total Fund Balances	<u>\$24,219,823</u>	<u>\$12,912,373</u>	<u>\$10,520,361</u>	<u>\$47,652,557</u>
Total Liabilities and Fund Balances	<u>\$24,219,823</u>	<u>\$12,912,373</u>	<u>\$10,520,361</u>	<u>\$47,652,557</u>

CITY OF LOS ALTOS
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Community Facilities Renewa Fund	Real Property Proceeds	Intra-Fund Transaction Elimination	Total General Fund
REVENUES					
Property tax	\$21,428,500				\$21,428,500
Sales tax	3,243,554				3,243,554
Utility users	2,732,325				2,732,325
Other tax	4,534,886				4,534,886
Licenses, permits and fees	4,055,230				4,055,230
Grants and donations	82,101				82,101
Charges for services	4,510,749				4,510,749
Fines and forfeitures	158,664				158,664
Interest and rentals	253,216		\$50,161		303,377
Other	128,007				128,007
Total Revenues	41,127,232		50,161		41,177,393
EXPENDITURES					
General government					
Public safety	17,465,711				17,465,711
Public works	5,783,953				5,783,953
Recreation	2,509,280				2,509,280
Community development	5,180,470				5,180,470
Admin / community development	4,772,919				4,772,919
Total Expenditures	35,712,333				35,712,333
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,414,899		50,161		5,465,060
OTHER FINANCING SOURCES (USES)					
Transfers in	158,506				158,506
Transfers (out)	(3,606,972)	(\$438,619)			(4,045,591)
Total Other Financing Sources (Uses)	(3,448,466)	(438,619)			(3,887,085)
NET CHANGE IN FUND BALANCES	1,966,433	(438,619)	50,161		1,577,975
BEGINNING FUND BALANCES	19,994,616	13,350,992	10,470,200		43,815,808
ENDING FUND BALANCES	\$21,961,049	\$12,912,373	\$10,520,361		\$45,393,783



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS**VEHICLE IMPOUND FUND**

To account for revenues collected from arrest and towing fees that are dedicated for public safety purposes.

SUPPLEMENTAL LAW ENFORCEMENT FUND

To account for revenues from the Citizen's Option for Public Safety Program in support of additional front-line law enforcement services.

GAS TAX FUNDS

To account for the revenues received from the State gas taxes under the provision of the Streets and Highways Codes. These revenues are restricted to uses related to construction and improvements, an maintenance and repair of local streets.

PROPOSITION 1B FUND

To account for the allocated bond fund amount from the State under the Proposition 1B provisions.

STORM DRAIN DEPOSITS FUND

To account for fees collected from new subdivision development. All funds are restricted to construction and improvement of the storm drain system.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

To account for grant funds received from the federal government specifically for the housing rehabilitation loan programs, the human services programs through local nonprofit agencies, and the accessibility improvements in compliance with the American with Disabilities Act.

DOWNTOWN PARKING FUND

To account for revenues received from the lease of the public parking plazas and in-lieu program fees. The revenues are dedicated for the construction and improvement of downtown parking facilities.

TRAFFIC IMPACT FEE FUND

To account for revenues received from development. The revenues are dedicated for transportation improvements within the City.

ESTATE DONATION FUND

To account for donations received that are dedicated for purposes specified by the donors.

TDA FUND

To account for State Transportation Development Act, Article 3 funds for bike route and pedestrian facilities improvements.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

PEG FUND

To account for fees collected by local Cable Television franchise. All funds are restricted for public education and government access programming.

VEHICLE REGISTRATION FEES FUND

To account for fees collected by the Department of Motor Vehicles from registrations in Santa Clara County. All funds are restricted to street projects.

SB 1 ROAD MAINTENANCE REHABILITATION FUND

To account for revenues received from the State Streets and Highways Codes. These revenues are restricted to address deferred maintenance on the State Highway System and the local street and road system.

TRAFFIC CONGESTION RELIEF PROGRAM FUND

To account for revenues received from the State. These revenues must be used only for maintenance or reconstruction costs on public streets or roads.

CAPITAL PROJECTS FUND

EQUIPMENT REPLACEMENT FUND

To account for the revenues and expenditures related to the replacement of certain City equipment and vehicles.

DEBT SERVICE FUND

GENERAL DEBT SERVICE

To account for the accumulation of revenues for periodic payment of principal and interest on Certificates of Participation and related authorized costs.



CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas tax	Proposition 1B
ASSETS				
Cash and investments		\$33,333	\$1,244,616	\$41,042
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts			2,660	55
Interest				
Total Assets		\$33,333	\$1,247,276	\$41,097
LIABILITIES				
Accounts payable				
Total Liabilities				
FUND BALANCES				
Restricted:				
Debt service				
Special revenue programs and projects Assigned		\$33,333	\$1,247,276	\$41,097
Total Fund Balances		33,333	1,247,276	41,097
Total Liabilities and Fund Balances		\$33,333	\$1,247,276	\$41,097

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
\$56,086	\$4,617	\$736,394	\$579,781	\$15,649	
		1,374 988	1,405	21	
<u>\$56,086</u>	<u>\$4,617</u>	<u>\$738,756</u>	<u>\$581,186</u>	<u>\$15,670</u>	
		\$572			
		572			
\$56,086	\$4,617	\$738,184	\$581,186	\$15,670	
56,086	4,617	738,184	581,186	15,670	
<u>\$56,086</u>	<u>\$4,617</u>	<u>\$738,756</u>	<u>\$581,186</u>	<u>\$15,670</u>	

(Continued)

CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SB1 Road Maintenance Rehabilitation	Traffic Congestion Relief Program
ASSETS				
Cash and investments	\$813,871	\$828,876		\$35,699
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts	26,464		\$66,556	
Interest	1,091	_____	_____	_____
Total Assets	\$841,426	\$828,876	\$66,556	\$35,699
LIABILITIES				
Accounts payable	_____	_____	_____	_____
Total Liabilities	_____	_____	_____	_____
FUND BALANCES				
Restricted:				
Debt service				
Special revenue programs and projects Assigned	\$841,426	\$828,876	\$66,556	\$35,699
Total Fund Balances	841,426	828,876	66,556	35,699
Total Liabilities and Fund Balances	\$841,426	\$828,876	\$66,556	\$35,699

<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	
<u>Equipment Replacement</u>	<u>General</u>	<u>Total Non-major Governmental Funds</u>
\$1,335,148	\$194,339 169,840	\$5,919,451 169,840
		94,394 6,220
<u>\$1,335,148</u>	<u>\$364,179</u>	<u>\$6,189,905</u>
		<u>\$572</u>
		<u>572</u>
	\$364,179	364,179 4,490,006 1,335,148
<u>\$1,335,148</u>		
<u>1,335,148</u>	<u>364,179</u>	<u>6,189,333</u>
<u>\$1,335,148</u>	<u>\$364,179</u>	<u>\$6,189,905</u>

CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas tax	Proposition 1B
REVENUES				
Charges for services				
Licenses, permits and fees				
Intergovernmental Grants and donations		\$139,416	\$634,964	
Fines and forfeitures	\$19,090			
Interest and rentals			8,928	\$196
Other				
Total Revenues	19,090	139,416	643,892	196
EXPENDITURES				
Current:				
Community development				
Capital improvements			132,281	
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures			132,281	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,090	139,416	511,611	196
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	(19,090)	(139,416)	(741,940)	
Total Other Financing Sources (Uses)	(19,090)	(139,416)	(741,940)	
NET CHANGE IN FUND BALANCES			(230,329)	196
BEGINNING FUND BALANCES		33,333	1,477,605	40,901
ENDING FUND BALANCES		\$33,333	\$1,247,276	\$41,097

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
		\$35,019	\$105,358		
	\$170,050				\$45,429
		13,522 9,640	5,165	\$76	
	170,050	58,181	110,523	76	45,429
		7,654	287,799		
	(4,617)				
	(4,617)	7,654	287,799		
	174,667	50,527	(177,276)	76	45,429
	(165,433)		(440,000)		(45,429)
	(165,433)		(440,000)		(45,429)
	9,234	50,527	(617,276)	76	
\$56,086	(4,617)	687,657	1,198,462	15,594	
\$56,086	\$4,617	\$738,184	\$581,186	\$15,670	

(Continued)

CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SBI Road Maintenance Rehabilitation	Traffic Congestion Relief Program
REVENUES				
Charges for services	\$108,845			
Licenses, permits and fees				
Intergovernmental Grants and donations		\$192,859	\$184,002	\$35,699
Fines and forfeitures	100			
Interest and rentals	3,846			
Other				
Total Revenues	<u>112,791</u>	<u>192,859</u>	<u>184,002</u>	<u>35,699</u>
EXPENDITURES				
Current:				
Community development				
Capital improvements		23,367		
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures		<u>23,367</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>112,791</u>	<u>169,492</u>	<u>184,002</u>	<u>35,699</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)			(117,446)	
Total Other Financing Sources (Uses)			<u>(117,446)</u>	
NET CHANGE IN FUND BALANCES	112,791	169,492	66,556	35,699
BEGINNING FUND BALANCES	<u>728,635</u>	<u>659,384</u>		
ENDING FUND BALANCES	<u><u>\$841,426</u></u>	<u><u>\$828,876</u></u>	<u><u>\$66,556</u></u>	<u><u>\$35,699</u></u>

<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>Total Non-major Governmental Funds</u>
Equipment Replacement	General	
		\$108,845
		140,377
		994,081
		408,338
		19,190
		31,733
		9,640
		<u>1,712,204</u>
\$559,231		566,885
98,669		537,499
	\$110,000	110,000
	56,060	56,060
<u>657,900</u>	<u>166,060</u>	<u>1,270,444</u>
<u>(657,900)</u>	<u>(166,060)</u>	<u>441,760</u>
	166,060	166,060
		<u>(1,668,754)</u>
	166,060	<u>(1,502,694)</u>
<u>(657,900)</u>		<u>(1,060,934)</u>
<u>1,993,048</u>	<u>364,179</u>	<u>7,250,267</u>
<u>\$1,335,148</u>	<u>\$364,179</u>	<u>\$6,189,333</u>

CITY OF LOS ALTOS
 VEHICLE IMPOUND FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	<u>\$20,000</u>	<u>\$19,090</u>	<u>(\$910)</u>
Total Revenues	<u>20,000</u>	<u>19,090</u>	<u>(910)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,000</u>	<u>19,090</u>	<u>(910)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(19,090)</u>	<u>(19,090)</u>
Total other financing sources (uses)		<u>(19,090)</u>	<u>(19,090)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$20,000</u></u>		<u><u>(\$20,000)</u></u>
Beginning fund balance		<u>\$0</u>	
Ending fund balance		<u><u>\$0</u></u>	

CITY OF LOS ALTOS
 SUPPLEMENTAL LAW ENFORCEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	<u>\$100,000</u>	<u>\$139,416</u>	<u>\$39,416</u>
Total Revenues	<u>100,000</u>	<u>139,416</u>	<u>39,416</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>100,000</u>	<u>139,416</u>	<u>39,416</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(139,416)</u>	<u>(139,416)</u>
Total other financing sources (uses)		<u>(139,416)</u>	<u>(139,416)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$100,000</u></u>		<u><u>(\$100,000)</u></u>
Beginning fund balance		<u>33,333</u>	
Ending fund balance		<u><u>\$33,333</u></u>	

CITY OF LOS ALTOS
 GAS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$880,719	\$634,964	(\$245,755)
Interest and rentals		8,928	8,928
Total Revenues	<u>880,719</u>	<u>643,892</u>	<u>(236,827)</u>
EXPENDITURES			
Capital improvements	350,000	132,281	217,719
Total Expenses	<u>350,000</u>	<u>132,281</u>	<u>217,719</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>530,719</u>	<u>511,611</u>	<u>(19,108)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(741,940)	(741,940)
Total other financing sources (uses)		<u>(741,940)</u>	<u>(741,940)</u>
NET CHANGE IN FUND BALANCE	<u>\$530,719</u>	<u>(230,329)</u>	<u>(\$761,048)</u>
Beginning fund balance		<u>1,477,605</u>	
Ending fund balance		<u>\$1,247,276</u>	

CITY OF LOS ALTOS
 PROPOSITION 1B FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rentals		\$196	\$196
Total Revenues		196	196
EXCESS OF REVENUES OVER EXPENDITURES		196	196
NET CHANGE IN FUND BALANCE		196	\$196
Beginning fund balance		40,901	
Ending fund balance		\$41,097	

CITY OF LOS ALTOS
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations	<u>\$77,300</u>	<u>\$170,050</u>	<u>\$92,750</u>
Total Revenues	<u>77,300</u>	<u>170,050</u>	<u>92,750</u>
EXPENDITURES			
Capital improvements		<u>(4,617)</u>	<u>4,617</u>
Total Expenses		<u>(4,617)</u>	<u>4,617</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>77,300</u>	<u>174,667</u>	<u>97,367</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(165,433)</u>	<u>(165,433)</u>
Total other financing sources (uses)		<u>(165,433)</u>	<u>(165,433)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$77,300</u></u>	<u>9,234</u>	<u><u>(\$68,066)</u></u>
Beginning fund balance		<u>(4,617)</u>	
Ending fund balance		<u><u>\$4,617</u></u>	

CITY OF LOS ALTOS
DOWNTOWN PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$40,000	\$35,019	(\$4,981)
Interest and rentals		13,522	13,522
Other		9,640	9,640
	40,000	58,181	18,181
EXPENDITURES			
Current:			
Community development		7,654	(7,654)
		7,654	(7,654)
Total Expenses		7,654	(7,654)
EXCESS OF REVENUES OVER EXPENDITURES			
	40,000	50,527	10,527
NET CHANGE IN FUND BALANCE	\$40,000	50,527	\$10,527
Beginning fund balance		687,657	
Ending fund balance		\$738,184	

CITY OF LOS ALTOS
 TRAFFIC IMPACT FEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Licenses, permits and fees	\$173,536	\$105,358	(\$68,178)
Interest and rentals		\$5,165	5,165
	<u>173,536</u>	<u>110,523</u>	<u>(63,013)</u>
EXPENDITURES			
Current:			
Capital improvements	286,000	287,799	(1,799)
	<u>286,000</u>	<u>287,799</u>	<u>(1,799)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(112,464)</u>	<u>(177,276)</u>	<u>(64,812)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(440,000)	(440,000)
		<u>(440,000)</u>	<u>(440,000)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$112,464)</u></u>	<u><u>(617,276)</u></u>	<u><u>(\$504,812)</u></u>
Beginning fund balance		<u>1,198,462</u>	
Ending fund balance		<u><u>\$581,186</u></u>	

CITY OF LOS ALTOS
 ESTATE DONATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest		\$76	\$76
Total Revenues		<u>76</u>	<u>76</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>76</u>	<u>76</u>
NET CHANGE IN FUND BALANCE		<u>76</u>	<u>\$76</u>
Beginning fund balance		<u>15,594</u>	
Ending fund balance		<u>\$15,670</u>	

CITY OF LOS ALTOS
TDA FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Grants and donations		\$45,429	\$45,429
Total expenditures		45,429	45,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		45,429	45,429
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(45,429)	(45,429)
Total other financing sources (uses)		(45,429)	(45,429)
NET CHANGE IN FUND BALANCE			
Beginning fund balance			
Ending fund balance			

CITY OF LOS ALTOS
 PEG FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$3,846	\$3,846
Charges for services		108,845	108,845
Fines and forfeitures		100	100
Total revenues		<u>112,791</u>	<u>112,791</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>112,791</u>	<u>112,791</u>
NET CHANGE IN FUND BALANCE		<u>112,791</u>	<u>\$112,791</u>
Beginning fund balance		<u>728,635</u>	
Ending fund balance		<u><u>\$841,426</u></u>	

CITY OF LOS ALTOS
 VEHICLE REGISTRATION FEES FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations	<u>\$373,900</u>	<u>\$192,859</u>	<u>(\$181,041)</u>
Total revenues	<u>373,900</u>	<u>192,859</u>	<u>(181,041)</u>
EXPENDITURES			
Capital improvements		<u>23,367</u>	<u>(23,367)</u>
Total Expenses		<u>23,367</u>	<u>(23,367)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>373,900</u>	<u>169,492</u>	<u>(204,408)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$373,900</u></u>	<u>169,492</u>	<u><u>(\$204,408)</u></u>
Beginning fund balance		<u>659,384</u>	
Ending fund balance		<u><u>\$828,876</u></u>	

CITY OF LOS ALTOS
 SB1 ROAD MAINTENANCE REHABILITATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

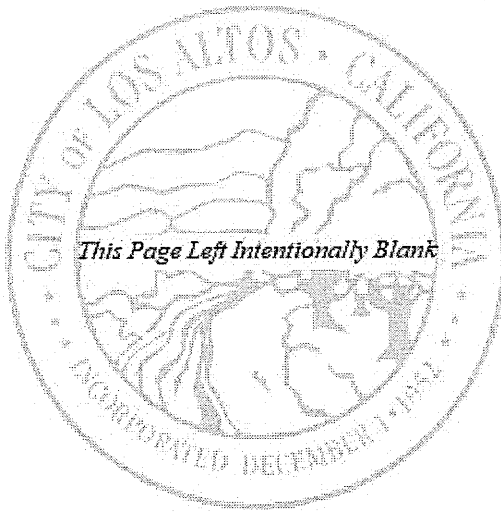
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental		\$184,002	\$184,002
Total revenues		<u>184,002</u>	<u>184,002</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(117,446)	(117,446)
Total other financing sources (uses)		<u>(117,446)</u>	<u>(117,446)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>66,556</u>	<u>66,556</u>
NET CHANGE IN FUND BALANCE		<u><u>66,556</u></u>	<u><u>\$66,556</u></u>
Beginning fund balance			
Ending fund balance		<u><u>\$66,556</u></u>	

CITY OF LOS ALTOS
 TRAFFIC CONGESTION RELIEF PROGRAM FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental		\$35,699	\$35,699
Total revenues		35,699	35,699
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		35,699	35,699
NET CHANGE IN FUND BALANCE		35,699	\$35,699
Beginning fund balance			
Ending fund balance		\$35,699	

CITY OF LOS ALTOS
EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
Community development	\$821,163	\$559,231	\$261,932
Capital improvements	<u>232,402</u>	<u>98,669</u>	<u>133,733</u>
Total expenditures	<u>1,053,565</u>	<u>657,900</u>	<u>395,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,053,565)</u>	<u>(657,900)</u>	<u>395,665</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$1,053,565)</u></u>	<u><u>(657,900)</u></u>	<u><u>\$395,665</u></u>
Beginning fund balance		<u>1,993,048</u>	
Ending fund balance		<u><u>\$1,335,148</u></u>	



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other government units on a cost-reimbursement basis (including depreciation).

DENTAL REIMBURSEMENT

To account for costs of the City's self-insurance dental program. Funds are provided primarily from charges to departments.

UNEMPLOYMENT INSURANCE

To account for the unemployment insurance premiums and claims made against the City. Funds are provided primarily from charges to departments.

WORKERS' COMPENSATION INSURANCE

To account for the premium costs and self-insured claim losses made against the City for workers compensation. Funds are provided primarily from charges to departments.

LIABILITY INSURANCE

To account for the premium costs and self-insured claim losses made against the City for property-related and general liability. Funds are provided primarily from charges to departments.

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and investments	\$57,161	\$520,473	\$4,986,621	\$2,217,550	\$7,781,805
Accounts receivable			228	11,312	11,540
	<u>57,161</u>	<u>520,473</u>	<u>4,986,849</u>	<u>2,228,862</u>	<u>7,793,345</u>
Total Assets					
LIABILITIES					
Current Liabilities:					
Accounts payable		3,271	3,505	3,608	10,384
Claims and judgements			653,889	177,844	831,733
Noncurrent Liabilities:					
Claims and judgements			<u>2,633,111</u>	<u>115,156</u>	<u>2,748,267</u>
		<u>3,271</u>	<u>3,290,505</u>	<u>296,608</u>	<u>3,590,384</u>
Total Liabilities					
NET POSITION					
Unrestricted	<u>57,161</u>	<u>517,202</u>	<u>1,696,344</u>	<u>1,932,254</u>	<u>4,202,961</u>
Total Net Position	<u><u>\$57,161</u></u>	<u><u>\$517,202</u></u>	<u><u>\$1,696,344</u></u>	<u><u>\$1,932,254</u></u>	<u><u>\$4,202,961</u></u>

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$127,800	\$65,145	\$879,015	\$644,101	\$1,716,061
Total Operating Revenues	<u>127,800</u>	<u>65,145</u>	<u>879,015</u>	<u>644,101</u>	<u>1,716,061</u>
OPERATING EXPENSES					
Outside services				37,138	37,138
Claims reimbursement	177,094	5,521	812,120	(65,849)	928,886
Insurance and adjustments			162,506	332,759	495,265
Administration			62,700		62,700
Total Operating Expenses	<u>177,094</u>	<u>5,521</u>	<u>1,037,326</u>	<u>304,048</u>	<u>1,523,989</u>
Operating Income (Loss)	<u>(49,294)</u>	<u>59,624</u>	<u>(158,311)</u>	<u>340,053</u>	<u>192,072</u>
Change in Net Position	(49,294)	59,624	(158,311)	340,053	192,072
BEGINNING NET POSITION	<u>106,455</u>	<u>457,578</u>	<u>1,854,655</u>	<u>1,592,201</u>	<u>4,010,889</u>
ENDING NET POSITION	<u>\$57,161</u>	<u>\$517,202</u>	<u>\$1,696,344</u>	<u>\$1,932,254</u>	<u>\$4,202,961</u>

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$127,800	\$65,145	\$1,049,869	\$642,829	\$1,885,643
Cash payments to claimants	(177,094)	(5,876)	(826,502)	68,150	(941,322)
Insurance premiums, settlements, and rebates			3,945	(452,523)	(448,578)
Cash Flows from Operating Activities	<u>(49,294)</u>	<u>59,269</u>	<u>227,312</u>	<u>258,456</u>	<u>495,743</u>
Net Cash Flows	(49,294)	59,269	227,312	258,456	495,743
Cash and investments at beginning of period	<u>106,455</u>	<u>461,204</u>	<u>4,759,309</u>	<u>1,959,094</u>	<u>7,286,062</u>
Cash and investments at end of period	<u>\$57,161</u>	<u>\$520,473</u>	<u>\$4,986,621</u>	<u>\$2,217,550</u>	<u>\$7,781,805</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$49,294)	\$59,624	(\$158,311)	\$340,053	\$192,072
Adjustments to reconcile operating income to net cash flows from operating activities:					
Change in assets and liabilities:					
Accounts receivable			170,854	(1,272)	169,582
Accounts payable		(355)	(14,382)	2,301	(12,436)
Claims and judgments payable			229,151	(82,626)	146,525
Cash Flows from Operating Activities	<u>(49,294)</u>	<u>59,269</u>	<u>227,312</u>	<u>258,456</u>	<u>495,743</u>

FIDUCIARY FUNDS

AGENCY FUNDS

NORTH COUNTY LIBRARY AUTHORITY

This fund accounts for the operating activities and the special assessment collection pertaining to the North County Library Authority.

RAYMUNDO CURB AND GUTTER

This fund accounts for the accumulation of resources for payment of the debt service related to the construction and installation of curbs and gutters. The revenue is derived from the special assessment levied to property owners within that improvement district.

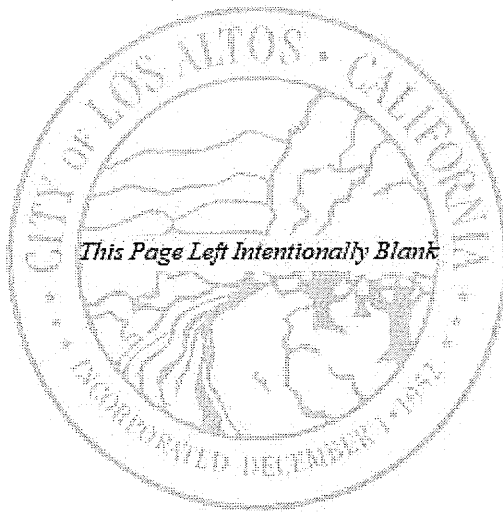
BLUE OAK LANE SEWER

This fund accounts for the accumulation of resources for payment of the debt service, construction and installation of sanitary sewer systems on Blue Oak Lane funded via November 2009 limited obligation assessment district bonds. The revenue is derived from the special assessment levied to property owners within that improvement district.

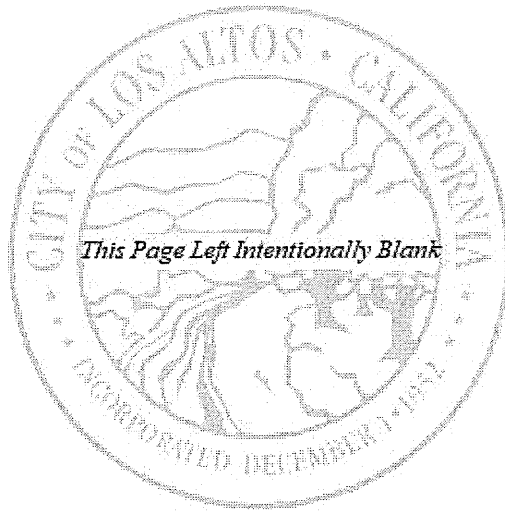
CITY OF LOS ALTOS
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2018</u>
<u>North County Library Authority</u>				
<u>Assets</u>				
Cash and investments	\$3,860,083	\$620,330	\$287,601	\$4,192,812
Accounts receivable		16,105		16,105
Interest receivable	1,343	2,362	1,343	2,362
Total assets	<u>\$3,861,426</u>	<u>\$638,797</u>	<u>\$288,944</u>	<u>\$4,211,279</u>
<u>Liabilities</u>				
Accounts payable	\$287,601	\$295,204	\$287,601	\$295,204
Due to others	3,573,825	343,593	1,343	3,916,075
Total liabilities	<u>\$3,861,426</u>	<u>\$638,797</u>	<u>\$288,944</u>	<u>\$4,211,279</u>
<u>Raymundo Curb and Gutter</u>				
<u>Assets</u>				
Cash and investments	\$38,267	\$34,984	\$38,352	\$34,899
Interest receivable	85	47	85	47
Total assets	<u>\$38,352</u>	<u>\$35,031</u>	<u>\$38,437</u>	<u>\$34,946</u>
<u>Liabilities</u>				
Due to others	<u>\$38,352</u>	<u>\$35,031</u>	<u>38,437</u>	<u>\$34,946</u>
Total liabilities	<u>\$38,352</u>	<u>\$35,031</u>	<u>\$38,437</u>	<u>\$34,946</u>

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
<u>Blue Oak Lane Sewer</u>				
<u>Assets</u>				
Cash and investments	\$27,848	\$2,475		\$30,323
Restricted cash and investments	39,794			39,794
Accounts receivable	495	164	\$495	164
Total assets	<u>\$68,137</u>	<u>\$2,639</u>	<u>\$495</u>	<u>\$70,281</u>
<u>Liabilities</u>				
Due to others	<u>\$68,137</u>	<u>\$2,639</u>	<u>\$495</u>	<u>\$70,281</u>
Total liabilities	<u>\$68,137</u>	<u>\$2,639</u>	<u>\$495</u>	<u>\$70,281</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$3,926,198	\$657,789	\$325,953	\$4,258,034
Restricted cash and investments	39,794			39,794
Accounts receivable	495	16,269	495	16,269
Interest receivable	1,428	2,409	1,428	2,409
Total assets	<u>\$3,967,915</u>	<u>\$676,467</u>	<u>\$327,876</u>	<u>\$4,316,506</u>
<u>Liabilities</u>				
Accounts payable	\$287,601	\$295,204	\$287,601	\$295,204
Due to others	<u>3,680,314</u>	<u>381,263</u>	<u>40,275</u>	<u>4,021,302</u>
Total liabilities	<u>\$3,967,915</u>	<u>\$676,467</u>	<u>\$327,876</u>	<u>\$4,316,506</u>



STATISTICAL SECTION



STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Tax Revenues by Source, Governmental Funds
2. Assessed Value of Taxable Property
3. Property Tax Dollar by Break Down
4. Property Tax Dollars by Recipient Group
5. Direct and Overlapping Tax Rates
6. Principal Property Taxpayers
7. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratios of Outstanding Debt by Type
2. Schedule of Direct and Overlapping Bonded Debt
3. Legal Debt Margin

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic Statistics
2. Principal Employers

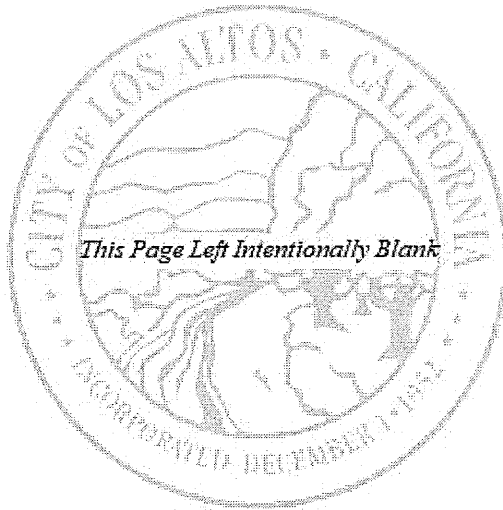
Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program
4. Trust and Agency Debt Administration

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

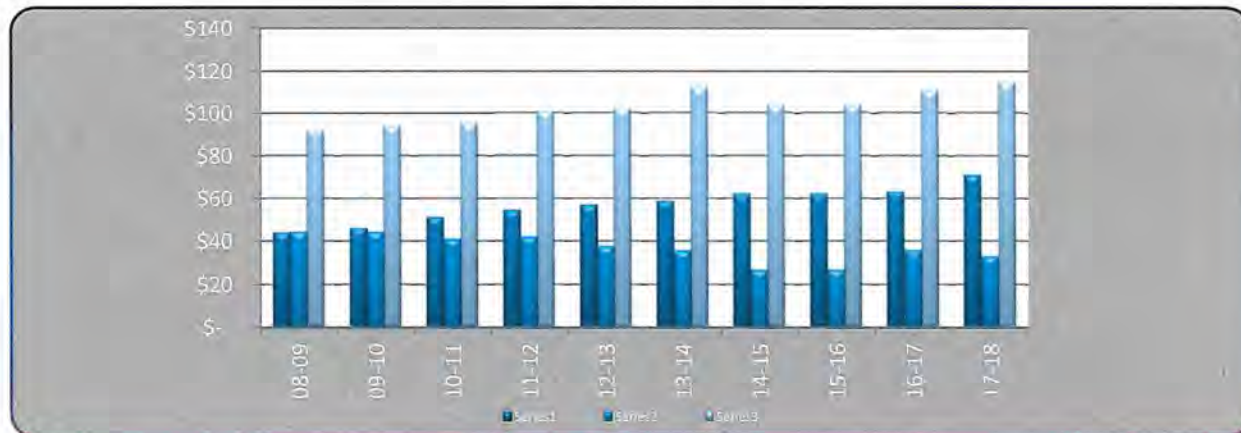


City of Los Altos
 Net Position by Component
 Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13(a)	2013-14	2014-15	2015-16	2016-17	2017-18
Governmental activities										
Net investment in capital assets	\$ 40,684	\$ 42,596	\$ 46,011	\$ 48,511	\$ 50,102	\$ 50,164	\$ 49,079	\$ 53,409	\$ 54,725	\$ 61,525
Restricted	3,477	3,411	3,057	3,926	7,406	17,629	17,815	14,447	11,498	10,620
Unrestricted	36,184	35,476	33,448	34,634	29,883	27,624	10,746	15,583	24,047	20,429
Total governmental activities net position	\$ 80,345	\$ 81,483	\$ 82,516	\$ 87,071	\$ 87,391	\$ 95,417	\$ 77,640	\$ 83,439	\$ 90,270	\$ 92,574
Business-type activities										
Net investment in capital assets	\$ 3,316	\$ 3,552	\$ 5,197	\$ 5,952	\$ 6,773	\$ 8,718	\$ 8,662	\$ 8,726	\$ 8,403	\$ 9,450
Unrestricted	8,102	8,766	7,625	7,539	7,843	8,087	8,472	11,259	11,907	12,644
Total business-type activities net position	\$ 11,418	\$ 12,318	\$ 12,822	\$ 13,491	\$ 14,616	\$ 16,805	\$ 17,134	\$ 19,985	\$ 20,310	\$ 22,094
Primary government										
Net investment in capital assets	\$ 44,000	\$ 46,148	\$ 51,208	\$ 54,463	\$ 56,875	\$ 58,882	\$ 57,741	\$ 62,135	\$ 63,128	\$ 70,975
Restricted	3,477	3,411	3,057	3,926	7,406	17,629	17,815	14,447	11,498	10,620
Unrestricted	44,286	44,242	41,073	42,173	37,726	35,711	19,218	26,842	35,954	33,073
Total primary government net position	\$ 91,763	\$ 93,801	\$ 95,338	\$ 100,562	\$ 102,007	\$ 112,222	\$ 94,774	\$ 103,424	\$ 110,580	\$ 114,668

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Source:
 City of Los Altos Finance Department

Note:
 (a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "Net Assets" with the term "Net Position"

City of Los Altos

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Expenses										
Governmental activities:										
Public safety	\$ 13,563	\$ 13,812	\$ 14,101	\$ 14,797	\$ 15,144	\$ 14,884	\$ 15,636	\$ 15,791	\$ 15,224	\$ 19,928
Public works	5,318	5,170	5,451	5,157	5,557	6,453	7,058	5,816	7,832	6,217
Recreation	2,889	2,460	2,503	2,193	2,108	2,656	2,976	2,744	2,613	3,402
Community development	3,913	3,962	4,052	3,583	4,514	4,038	4,590	5,758	4,243	6,440
Admin/Community services	3,765	3,794	3,837	4,034	5,675	3,804	4,002	4,882	4,411	5,687
Interest on long-term activities	32	83	86	69	95	71	68	63	51	64
Total governmental activities expenses	29,480	29,281	30,030	29,833	33,093	31,906	34,330	35,054	34,374	41,738
Business-type activities:										
Sewer	4,810	4,438	4,520	4,386	4,529	4,574	4,789	4,607	6,754	4,970
Solid waste	1,574	1,826	717	341	355	366	347	376	438	461
Storm drain	188	199	200	213	232	165	215	0	1	1
Total Business-type activities expenses	6,572	6,463	5,437	4,940	5,116	5,105	5,351	4,983	7,193	5,432
Total primary government expenses	\$ 36,052	\$ 35,744	\$ 35,467	\$ 34,773	\$ 38,209	\$ 37,011	\$ 39,681	\$ 40,037	\$ 41,567	\$ 47,170
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 585	\$ 466	\$ 348	\$ 394	\$ 344	\$ 417	\$ 898	\$ 462	\$ 363	\$ 330
Public works	180	152	191	32	34	60	33	55	42	51
Recreation	1,472	1,498	1,763	1,808	1,865	1,952	2,167	2,123	2,070	2,021
Community development	1,867	2,954	2,650	3,260	7,431	5,196	3,625	3,412	3,112	4,589
Admin/Community services	969	1,097	1,061	875	947	942	954	1,033	1,082	950
Operating grants and contributions:										
Public safety	108	102	100	112	109	116	109	437	392	409
Public works	479	462	682	829	699	909	504	336	262	298
Recreation	4	-	-	-	-	-	-	2	5	5
Community development	48	56	168	21	59	36	343	8	148	170
Admin/Community services	6	131	64	36	58	6	-	-	-	-
Capital grants and contributions										
Public safety	-	-	-	-	-	-	-	-	-	-
Public works	978	985	711	897	492	747	498	1,522	807	641
Recreation	10	-	-	-	-	-	-	-	-	-
Community development	24	7	-	3,400	80	3	30	7	-	62
Admin/Community services	89	200	78	76	-	83	-	-	-	-
Total governmental activities program revenues	6,819	8,110	7,816	11,740	12,118	10,467	9,161	9,397	8,283	9,526

City of Los Altos
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting; amounts expressed in thousands)

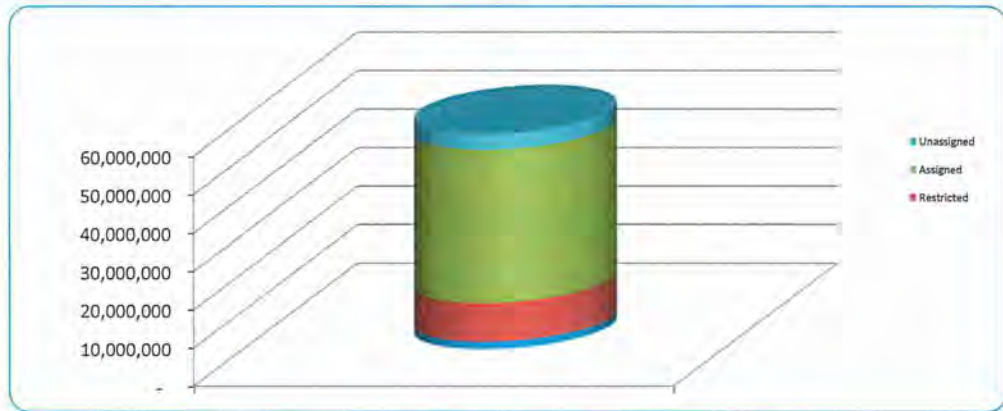
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Business-type activities:										
Charges for services:										
Sewer	\$ 5,804	\$ 5,413	\$ 4,813	\$ 4,503	\$ 5,121	\$ 6,347	\$ 6,328	\$ 6,986	\$ 6,703	\$ 6,369
Solid waste	1,685	1,657	992	821	879	754	786	752	774	812
Storm drain	-	-	-	-	-	12	2	-	-	-
Total business-type activities program revenues	7,489	7,070	5,805	5,324	6,000	7,113	7,116	7,738	7,477	7,181
Total primary government program revenues	\$ 14,308	\$ 15,180	\$ 13,621	\$ 17,064	\$ 18,118	\$ 17,580	\$ 16,277	\$ 17,135	\$ 15,760	\$ 16,707
Net (expense)/revenue:										
Governmental activities	\$ (22,661)	\$ (21,171)	\$ (22,214)	\$ (18,093)	\$ (20,975)	\$ (21,439)	\$ (25,170)	\$ (25,657)	\$ (26,091)	\$ (32,212)
Business-type activities	917	607	368	384	884	2,008	1,766	2,755	284	1,749
Total primary government net (expense)/revenue	\$ (21,744)	\$ (20,564)	\$ (21,846)	\$ (17,709)	\$ (20,091)	\$ (19,431)	\$ (23,404)	\$ (22,902)	\$ (25,807)	\$ (30,463)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes:										
Property taxes	\$ 12,759	\$ 13,051	\$ 12,794	\$ 13,302	\$ 14,130	\$ 15,586	\$ 17,480	\$ 18,776	\$ 19,863	\$ 21,429
Sales taxes	2,697	2,255	2,588	2,746	2,926	2,809	2,943	3,196	3,278	3,244
Utility users taxes	2,530	2,515	2,543	2,548	2,600	2,600	2,523	2,672	2,680	2,732
Other taxes	2,147	2,453	2,910	2,868	3,301	3,542	3,732	3,909	4,330	4,535
Franchise fees	1,458	1,437	1,814	1,731	1,770	1,905	1,808	2,029	2,083	2,207
Sale of Capital Assets-net	-	-	-	(545)	(8)	2,846	-	-	-	-
Interest income	760	341	275	115	174	99	200	438	233	320
Miscellaneous	201	286	388	131	382	212	1,124	435	454	452
Transfers	(200)	(239)	(65)	(247)	(232)	(152)	(196)	-	-	-
Total governmental activities	22,352	22,099	23,247	22,649	25,043	29,447	29,614	31,455	32,921	34,919
Business-type activities										
Interest income	160	53	71	37	10	-	-	-	-	-
Miscellaneous	-	-	-	-	-	28	40	96	40	70
Transfers	200	239	65	247	232	152	196	-	-	-
Total business-type activities	360	292	136	284	242	180	236	96	40	70
Total primary government	\$ 22,712	\$ 22,391	\$ 23,383	\$ 22,933	\$ 25,285	\$ 29,627	\$ 29,850	\$ 31,551	\$ 32,961	\$ 34,989
Change in Net Position										
Governmental activities	\$ (309)	\$ 928	\$ 1,033	\$ 4,556	\$ 4,068	\$ 8,008	\$ 4,444	\$ 5,798	\$ 6,830	\$ 2,707
Business-type activities	1,277	899	504	668	1,126	2,188	2,002	2,851	324	
Total primary government	\$ 968	\$ 1,827	\$ 1,537	\$ 5,224	\$ 5,194	\$ 10,196	\$ 6,446	\$ 8,649	\$ 7,154	\$ 2,707

Source:
City of Los Altos Finance Department

City of Los Altos
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)
(Pre GASB 54 Presentation - For Years Before 2011-12)

(Pre GASB 54 Presentation)	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General fund										
Reserved	\$ 39	\$ 143	\$ 48	\$ 46	\$ 49	\$ 27,195	\$ 30,010	\$ 29,588	\$ 37,637	\$ 40,519
Unreserved/Unrestricted	7,650	6,908	7,836	7,439	8,453	1,433	4,789	8,535	6,039	4,875
Total general fund	\$ 7,689	\$ 7,051	\$ 7,884	\$ 7,485	\$ 8,502	\$ 28,628	\$ 34,799	\$ 38,123	\$ 43,676	\$ 45,394
All other governmental funds										
Restricted	\$ 3,472	\$ 3,399	\$ 2,780	\$ 3,926	\$ 7,406	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
Reserved, reported in:										
Special revenue funds	4,120	6,422	6,768	6,911	7,415	9,644	12,737	9,605	9,281	9,744
Capital projects funds	21,814	19,540	16,868	17,213	15,676	7,621	4,714	4,477	1,993	512
Debt service funds	(8)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 29,398	\$ 29,361	\$ 26,416	\$ 28,050	\$ 30,497	\$ 17,629	\$ 17,815	\$ 14,446	\$ 11,638	\$ 10,620
Total all governmental funds	\$ 37,087	\$ 36,412	\$ 34,300	\$ 35,535	\$ 38,999	\$ 46,257	\$ 52,614	\$ 52,569	\$ 55,314	\$ 56,014

	2017-18				
	General Fund	In Lieu Park Land	Capital Projects	Other Govt Funds	Total
<i>Inventory & Prepaids</i>	\$ (26,760)	\$ -	\$ -	\$ -	\$ (26,760)
<i>Notes Receivable</i>	\$ (1,895,206)				\$ (1,895,206)
<i>Veteran Memorial</i>	(9,986)				(9,986)
Non-Spendable	(1,931,952)	-	-	-	(1,931,952)
<i>Debt Service</i>				(364,179)	(364,179)
<i>Special Revenue Programs and Projects</i>		(5,253,528)		(4,490,006)	(9,743,534)
Restricted	-	(5,253,528)	-	(4,854,185)	(10,107,713)
<i>Continuing CIPS</i>					-
Committed	-	-	-	-	-
<i>General Fund Reserve</i>	(7,250,645)				(7,250,645)
<i>OPEB</i>	(1,500,000)				(1,500,000)
<i>PERS Reserve</i>	(4,000,000)				(4,000,000)
<i>Technology</i>	(2,403,554)				(2,403,554)
<i>Capital Projects</i>	(23,432,734)			(1,335,148)	(24,767,882)
Assigned	(38,586,933)	-	-	(1,335,148)	(39,922,081)
Unassigned	(4,874,898)		823,098		(4,051,800)
Total Fund Equity	\$ (45,393,783)	\$ (5,253,528)	\$ 823,098	\$ (6,189,333)	\$ (56,013,546)



Source:
City of Los Altos Finance Department

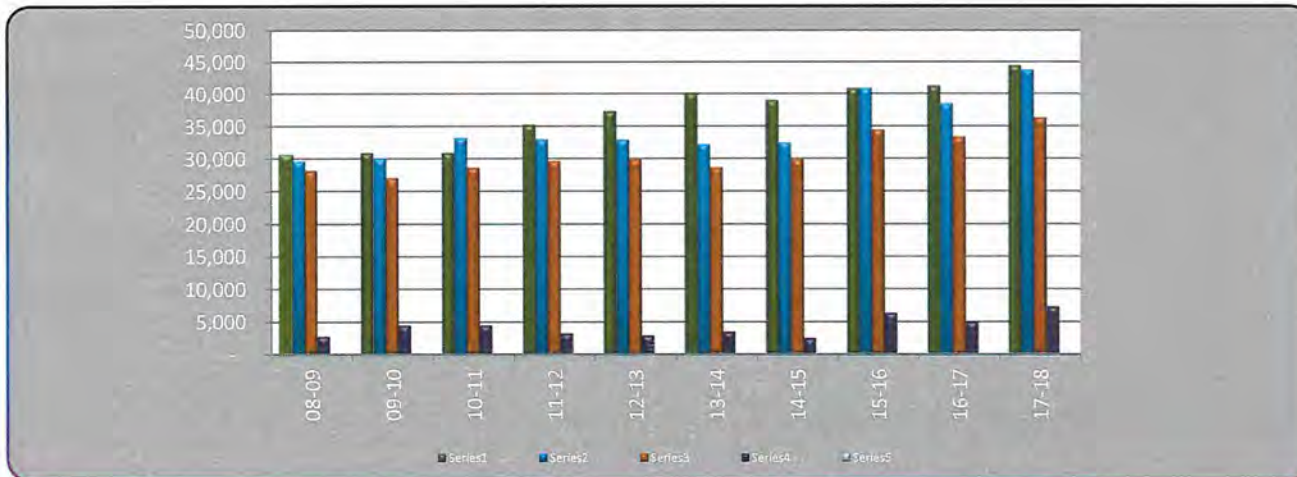
City of Los Altos
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues										
Taxes	\$ 17,115	\$ 17,545	\$ 17,714	\$ 18,250	\$ 19,444	\$ 21,950	\$ 26,690	\$ 28,565	\$ 30,151	\$ 31,939
License, permits and park-in-lieu	2,532	3,025	3,187	3,204	3,312	4,531	3,925	3,784	3,786	4,195
Intergovernmental	4,365	3,680	3,988	4,333	4,513	4,861	1,027	973	742	2,087
Grants and donations	305	559	929	4,242	650	788	873	1,863	1,214	928
Charges for services	3,422	3,494	4,020	3,780	4,480	4,572	4,698	4,659	4,577	4,620
Fines and forfeitures	329	246	148	231	171	214	161	264	213	178
Interest and rentals	945	504	333	169	135	159	291	558	230	360
Other	359	1,394	521	973	4,616	2,989	1,306	187	291	137
Total revenues	29,372	30,447	30,840	35,182	37,320	40,064	38,971	40,853	41,204	44,444
Expenditures										
General government										
Public Safety										
Police	8,283	8,111	8,616	9,588	9,178	8,891	9,167	9,976	9,968	10,744
Fire Services	4,900	5,119	5,259	5,375	5,513	5,714	5,961	6,219	6,473	6,722
Public works	5,038	4,420	4,793	4,826	4,831	4,353	4,307	4,859	5,299	5,784
Recreation	2,443	1,994	2,062	2,429	2,102	2,186	2,389	2,423	2,343	2,509
Community development	3,826	3,770	3,973	3,726	4,553	3,885	4,221	6,087	4,653	5,747
Administration/Community services	3,623	3,600	3,845	3,624	3,655	3,552	3,770	4,852	4,567	4,773
Capital improvements	1,288	2,784	4,475	3,212	2,916	3,492	2,435	6,313	4,992	7,299
Debt service										
Principal	101	85	85	90	95	95	100	105	105	110
Interest and fiscal charges	103	81	80	77	75	72	69	64	60	56
Total expenditures	29,605	29,964	33,188	32,947	32,918	32,240	32,419	40,898	38,460	43,744
Excess (deficiency) of revenues over (under) expenditures	(233)	483	(2,348)	2,235	4,402	7,824	6,552	(45)	2,744	700
Other financing sources (uses)										
Debt issuance	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonded escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	2,396	2,781	3,509	1,887	2,443	2,119	3,632	1,752	760	5,714
Transfers out	(2,596)	(3,020)	(3,574)	(2,134)	(2,925)	(2,685)	(3,828)	(1,752)	(760)	(5,714)
Total Other financing sources (uses)	(200)	(239)	(65)	(247)	(482)	(566)	(196)	-	-	-

City of Los Altos
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting; amounts expressed in thousands)

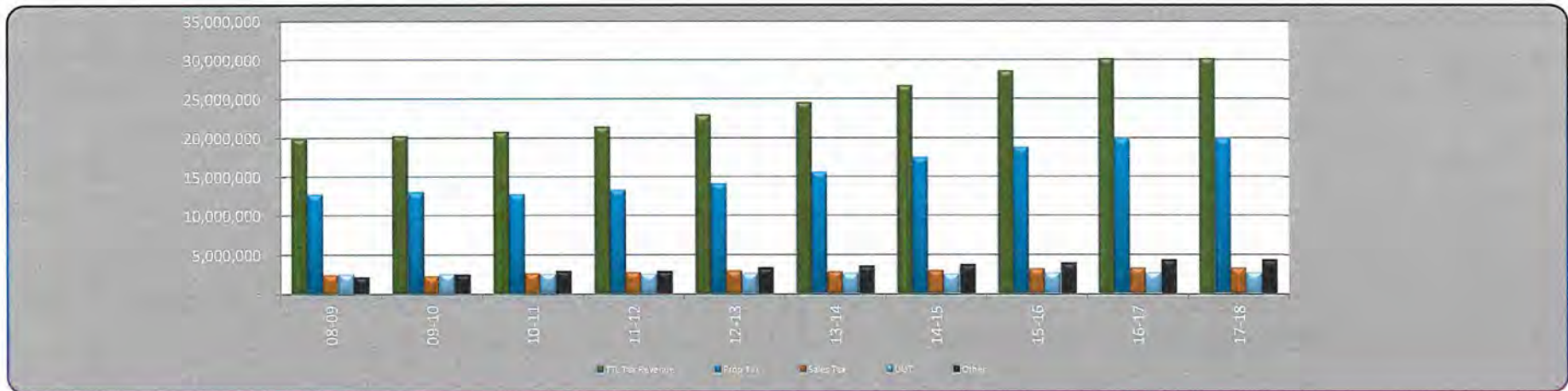
	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Special items										
CalPERS Side Fund Pay Down	-	(3,005)	-	(850)	(950)	-	-	-	-	-
Sale of capital assets-net	2,167	2,167	300	100	492	-	-	-	-	-
Total special items	2,167	(838)	300	(750)	(458)	-	-	-	-	-
Net change in fund balances	\$ 1,734	\$ (594)	\$ (2,113)	\$ 1,238	\$ 3,463	\$ 7,258	\$ 6,356	\$ (45)	\$ 2,744	\$ 700
Debt service as a percentage of non-capital expenditures	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%

Source: City of Los Altos Finance Department



City of Los Altos
 Tax Revenues by Source - Governmental Funds
 Last Ten Fiscal Years

Fiscal Year	Property	Sales Tax	Business Licenses	Utility Users	Transient Occupancy	Real Estate Transfer Tax	Motor Vehicle License Tax	Building Development	Special Assessments	Total
2008-09	\$ 12,758,918	\$ 2,412,220	\$ 403,338	\$ 2,530,162	\$ 1,289,722	\$ 265,493	\$ 96,264	\$ 91,648	\$ 40,918	\$ 19,888,683
2009-10	13,051,308	2,255,527	413,054	2,514,880	1,345,855	390,298	83,767	220,232	-	20,274,921
2010-11	12,793,603	2,587,889	399,461	2,543,287	1,517,579	387,905	145,798	459,935	-	20,835,457
2011-12	13,301,950	2,746,374	442,824	2,547,777	1,782,018	468,006	-	175,499	-	21,464,448
2012-13	14,130,040	2,926,441	519,828	2,600,054	1,946,484	587,422	15,102	247,992	-	22,973,363
2013-14	15,586,329	2,809,489	475,298	2,600,034	2,168,556	583,581	12,639	314,271	-	24,550,197
2014-15	17,479,882	2,942,764	453,201	2,522,536	2,450,488	616,500	12,281	212,187	-	26,689,839
2015-16	18,775,472	3,195,628	520,687	2,672,236	2,608,368	617,355	12,119	162,981	-	28,564,846
2016-17	19,863,197	3,278,430	539,989	2,679,961	2,985,201	668,242	14,046	122,071	-	30,151,137
2017-18	21,428,501	3,243,554	547,065	2,732,325	3,072,982	732,409	16,530	165,900	-	31,939,265



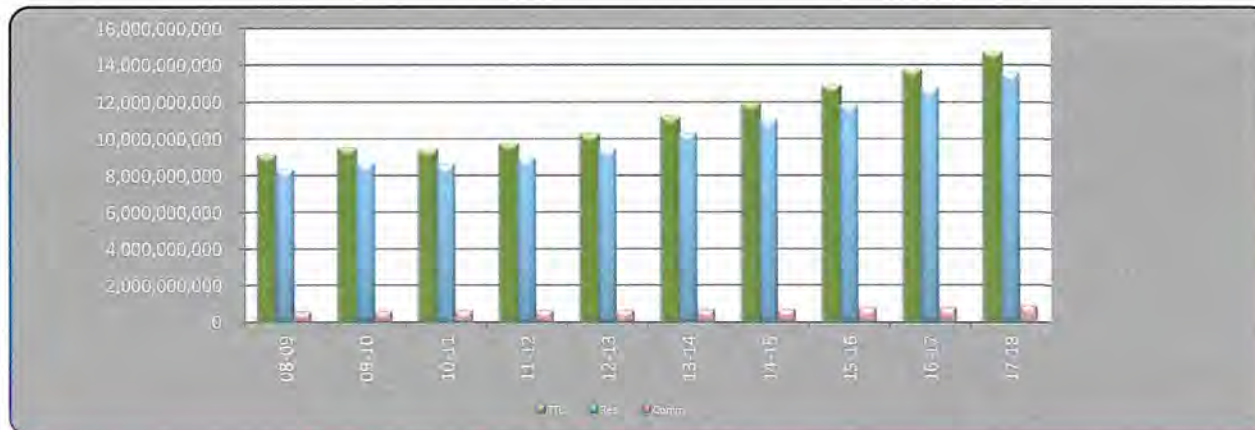
Source:
 City of Los Altos Finance Department

City of Los Altos
 Assessed Value of Taxable Property
 Last Ten Fiscal Years

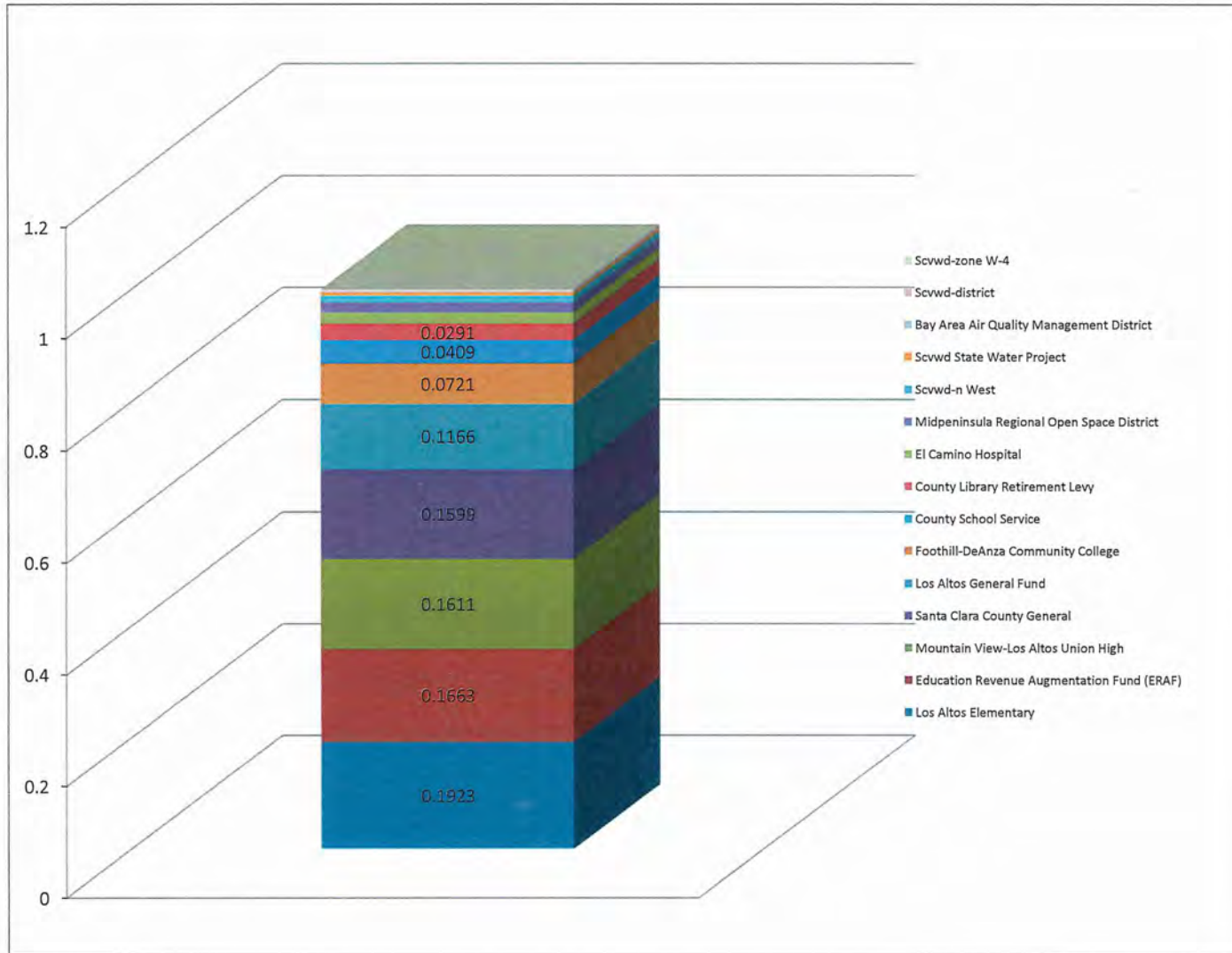
Fiscal Year	Residential Property	Commercial Property	Other	Net Unsecured	City of Los Altos Total Taxable Assessed Value (1)	Total Direct Tax Rate (2)	% Change
2008-09	\$ 8,310,720,937	\$ 560,724,394	\$ 87,967,697	\$ 104,778,047	\$ 9,064,191,075	1%	8.00%
2009-10	8,671,796,943	593,598,437	71,365,214	114,641,890	9,451,402,484	1%	4.27%
2010-11	8,593,495,093	619,191,247	40,822,574	108,454,967	9,361,963,881	1%	-0.95%
2011-12	8,952,576,593	622,766,264	33,390,275	89,645,375	9,698,378,507	1%	3.59%
2012-13	9,431,853,173	642,590,939	45,608,509	82,124,561	10,202,177,182	1%	5.19%
2013-14	10,318,249,580	676,252,209	67,682,916	97,506,301	11,159,691,006	1%	9.39%
2014-15	11,017,386,476	685,084,415	83,121,563	109,149,891	11,894,742,345	1%	6.59%
2015-16	11,848,840,720	750,708,212	106,506,870	125,355,972	12,831,411,774	1%	7.87%
2016-17	12,754,487,484	771,705,270	106,158,405	80,739,845	13,713,091,004	1%	6.87%
2017-18	13,600,334,963	880,225,920	90,338,436	83,250,683	14,654,150,002	1%	6.86%

Source:
 HdL Coren & Cone

- (1) - The California State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any property improvements of substantial value to the property. These values are considered to be full market values for the City of Los Altos.
- (2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the City's tax rate areas. The City has 15 tax rate areas and receives of approximately 12% of that 1% rate.

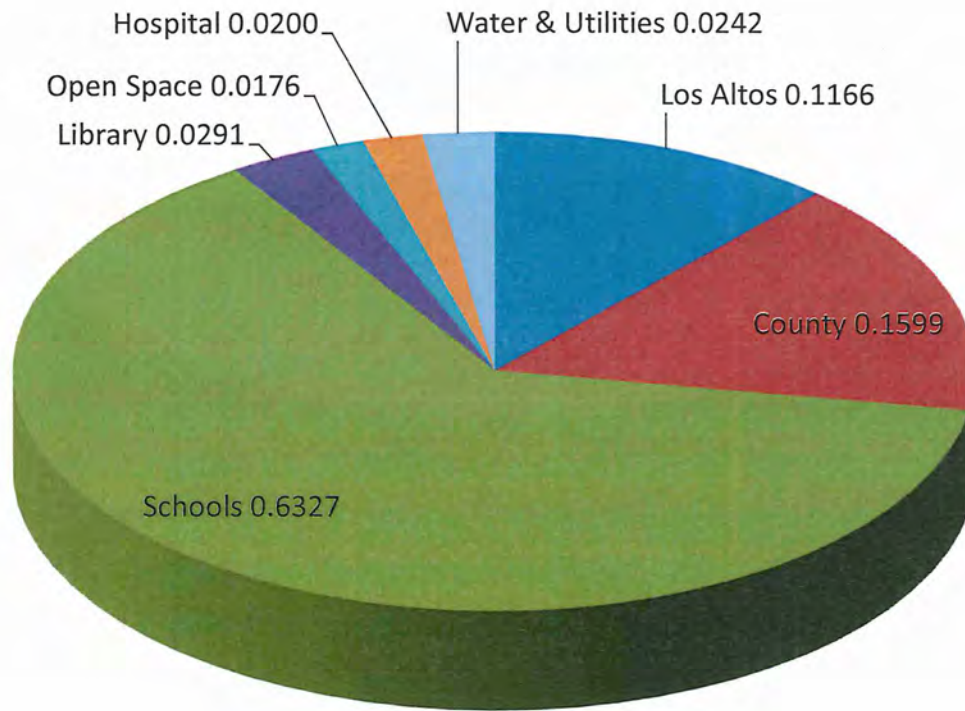


City of Los Altos
 Property Tax Dollar Breakdown
 June 30, 2018



Source:
 HdL Coren & Cone

City of Los Altos
Property Tax Dollars By Recipient Group
June 30, 2018



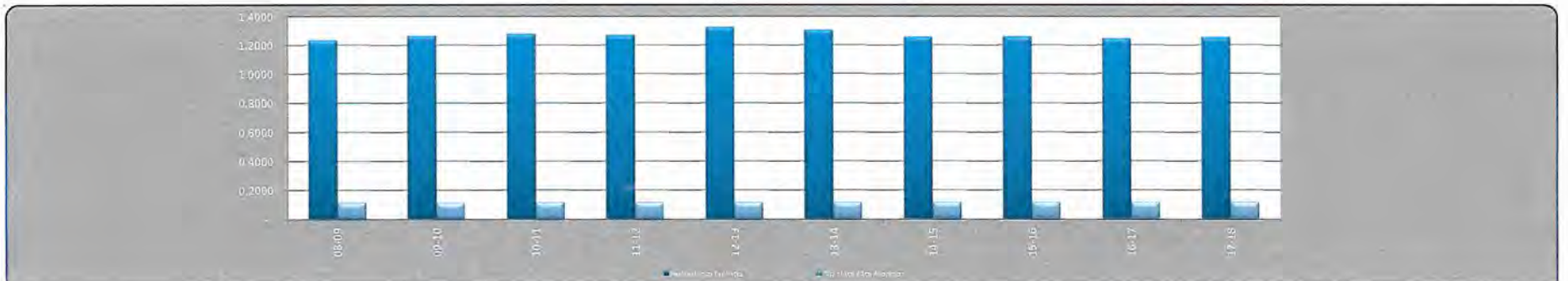
Source:
HdL Coren & Cone

City of Los Altos
 Direct and Overlapping Tax Rates
 Last Ten Fiscal Years
(rate per \$100 of taxable value)

Overlapping Rates (1)																
Fiscal Year	Basic County-Wide	Santa Clara Retirement	County Library Retirement	Los Altos Elementary School	Mountain View Elementary School	Cupertino Elementary School	Whisman School Bond	Foothill-De Anza College	Mountain View Los Altos High School	Fremont Union High School	Santa Clara Valley Water District	Mid Peninsula Open Space	County Housing Bond	County Hospital Bonds	El Camino Hospital	Total
2008-09	1.0000	0.0388	0.0024	0.0526	0.0294	0.0306	-	0.0123	0.0148	0.0339	0.0061	-	-	-	0.0129	1.23380
2009-10	1.0000	0.0388	0.0024	0.0539	0.0288	0.0312	-	0.0322	0.0147	0.0306	0.0074	-	-	0.0122	0.0129	1.26510
2010-11	1.0000	0.0388	0.0024	0.0600	0.0322	0.0308	-	0.0326	0.0151	0.0365	0.0072	-	-	0.0095	0.0129	1.27800
2011-12	1.0000	0.0388	0.0024	0.0595	0.0303	0.0290	-	0.0297	0.0147	0.0415	0.0064	-	-	0.0047	0.0129	1.26990
2012-13	1.0000	0.0388	0.0024	0.0579	0.0302	0.0598	0.0300	0.0287	0.0139	0.0390	0.0069	-	-	0.0051	0.0129	1.32560
2013-14	1.0000	0.0388	0.0024	0.0534	0.0276	0.0525	0.0254	0.0290	0.0121	0.0405	0.0070	-	-	0.0035	0.0129	1.30510
2014-15	1.0000	0.0388	0.0024	0.0524	-	0.0540	-	0.0276	0.0133	0.0396	0.0065	-	-	0.0091	0.0129	1.25660
2015-16	1.0000	0.0388	0.0024	0.0485	-	0.0519	-	0.0240	0.0119	0.0525	0.0057	0.0008	-	0.0088	0.0129	1.25820
2016-17	1.0000	0.0388	0.0024	0.0479	-	0.0509	-	0.0234	0.0112	0.0403	0.0086	0.0006	-	0.0086	0.0129	1.24560
2017-18	1.0000	0.0388	0.0024	0.0463	-	0.0496	-	0.0220	0.0107	0.0464	0.0062	0.0009	0.0127	0.0082	0.0100	1.25416

Source:
 HdL Coren & Cone

(1) - Overlapping rates are those of local and county governments that apply to property owners within the City of Los Altos; however, not all of these overlapping



City of Los Altos
 Principal Property Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2017-18			2008-09		
	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
Board of Trustees LSJU	\$ 86,779,819	1	0.59%			
RLJ R Los Altos LP	65,906,770	2	0.45%			
Los Altos Gardens II LP	54,402,179	3	0.37%			
St Paul Fire and Marine Insurance Co	50,929,952	4	0.35%			
Richard T Spieker Trustee	37,119,404	5	0.25%			
Springwood Apartments	29,901,009	6	0.20%	\$ 26,320,996	2	0.29%
Safeway	27,228,175	7	0.19%			
Sutter Bay Medical Foundation	26,532,488	8	0.18%			
KRC Los Altos Limited Partnership	23,671,378	9	0.16%	17,455,117	8	0.19%
Compass Grand Los Altos LLC	23,636,281	10	0.16%	20,884,267	4	0.23%
Behringer Harvard El Camio Real LP				39,525,000	1	0.44%
Los Altos Gardens I LP				22,021,780	3	0.24%
Rambus Inc				18,535,210	5	0.20%
David & Lucile Packard Foundation				18,356,103	6	0.20%
4 Seasons Assocs LLC				18,018,077	7	0.20%
Los Altos Hotel Associates LLC				16,207,392	9	
Village Court Partners				15,879,664	10	0.18%
Total	\$ 339,327,636		3.18%	\$ 213,203,606		2.17%
City Total	\$ 14,654,150,002			\$ 9,064,191,075		

Source:
 HdL Coren & Cone

City of Los Altos
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Santa Clara County					
	Total Tax Levy	Current Tax Collections	Levy Collected	Levy Collected of the Total Levy	Current Collections of the Levy	Delinquent Tax Collections
2008-09	\$ 3,570,784,932	\$ 272,719,751	\$ 259,616,142	7.27%	95.20%	3.70%
2009-10	3,670,443,736	282,872,902	273,655,824	7.46%	96.74%	3.26%
2010-11	3,654,128,401	288,311,420	268,113,225	7.34%	92.99%	7.01%
2011-12	3,703,148,623	293,002,052	273,640,116	7.39%	93.39%	6.61%
2012-13	3,877,675,089	301,164,764	292,131,302	7.53%	97.00%	3.00%
2013-14	4,165,019,181	349,740,765	316,325,898	7.59%	90.45%	2.59%
2014-15	4,463,179,149	344,291,093	339,731,930	7.61%	98.68%	0.98%
2015-16	4,944,651,360	330,545,207	326,823,894	6.61%	98.87%	1.13%
2016-17	5,278,067,434	359,152,852	346,454,876	6.56%	96.46%	1.89%
2017-18	5,719,021,680	355,579,401	345,863,202	6.05%	97.27%	1.86%

Note:

The actual tax levy data for the City of Los Altos is not available because the Santa Clara County uses a factor known as the AB8 factors to apportion the 1% portion of the tax levies/collections to each of the jurisdictions within the county. The City's AB8 factors range from 0.0029 to 0.0033 for the past 10 years. Additionally, the City and the County adopted the "alternative method of property tax distributions" that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection, and to retain all delinquent penalties and interest.

Source:

County of Santa Clara

City of Los Altos
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Capital Lease	Total	Population (2)	Per Capita	Per Capita Personal Income (2)
	General Obligation Bond	Certificates of Participation (1)						
2008-09	\$ -	\$ 2,115,000		\$ -	\$ 2,115,000	28,457	74	96,222
2009-10	-	2,030,000		-	2,030,000	28,863	70	92,389
2010-11	-	1,945,000		-	1,945,000	28,863	67	73,414
2011-12	-	1,855,000		-	1,855,000	29,460	63	72,608
2012-13	-	1,760,000		-	1,760,000	29,792	59	74,570
2013-14	-	1,665,000		-	1,665,000	29,969	56	79,102
2014-15	-	1,565,000		-	1,565,000	29,884	52	83,041
2015-16	-	1,460,000		-	1,460,000	31,353	47	80,407
2016-17	-	1,355,000		-	1,355,000	31,402	43	86,558
2017-18	-	1,245,000		-	1,245,000	31,361	43	93,010

Note: Special Assessment Debt is no longer presented as they involve limited obligation bonds that are secured by ad valorem assessments and carry no city obligation.

Source:

- (1) City of Los Altos Finance Department
- (2) HdL Coren & Cone

City of Los Altos
 Schedule of Direct and Overlapping Bonded Debt
 August 6, 2018

2017-18 Assessed Valuation: \$14,654,150,002

	Total Debt 6/30/2018	% Applicable (1)	City's Share of Debt 6/30/18
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Santa Clara County	\$ 1,012,400,000	3.258%	\$ 32,983,992
Foothill-De Anza Community College District	633,997,978	9.407%	59,640,190
Fremont Union High School District	433,280,088	3.990%	17,287,876
Mountain View-Los Altos Union High School District	52,243,375	24.551%	12,826,271
Cupertino Union School District	270,528,688	6.915%	18,707,059
Los Altos School District	57,145,000	53.077%	30,330,852
El Camino Hospital District	127,800,000	17.370%	22,198,860
Midpeninsula Regional Park District	93,350,000	5.519%	5,151,987
Santa Clara Valley Water District Benefit Assessment District	82,285,000	3.258%	2,680,845
City of Los Altos 1915 Act Bonds	601,000	100.000%	601,000
			\$ 202,408,931
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	590,242,965	3.258%	\$ 19,230,116
Santa Clara County Pension Obligation Bonds	357,547,175	3.258%	11,648,887
Santa Clara County Board of Education Certificates of Participation	4,985,000	3.258%	162,411
Foothill-De Anza Community College District Certificates of Participation	28,803,859	9.407%	2,709,579
Mountain View-Los Altos Union High School District Certificates of Participation	1,845,000	24.551%	452,966
Los Altos School District Certificates of Participation	2,616,389	53.077%	1,388,701
City of Los Altos Certificates of Participation	1,245,000	100.000%	1,245,000
Midpeninsula Regional Park District General Fund Obligations	123,040,600	5.519%	6,790,611
Santa Clara County Vector Control District Certificates of Participation	2,470,000	3.258%	80,473
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 43,708,743
Less: Santa Clara County supported obligations			13,256,335
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 30,452,408
TOTAL DIRECT DEBT			\$ 1,245,000
TOTAL GROSS OVERLAPPING DEBT			\$ 244,872,676
TOTAL NET OVERLAPPING DEBT			\$ 231,616,341
GROSS COMBINED TOTAL DEBT			\$ 246,117,676 (2)
NET COMBINED TOTAL DEBT			\$ 232,861,341

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source:
 California Municipal Statistics, Inc.

City of Los Altos
 Legal Debt Margin
 Last Ten Fiscal Years

Fiscal Year	Assessed Valuation *	Debt Limit 15% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
2008-09	\$ 9,064,191,075	\$ 1,359,628,661	\$ -	\$ 1,359,628,661
2009-10	9,451,402,484	1,417,710,373	-	1,417,710,373
2010-11	9,361,963,881	1,404,294,582	-	1,404,294,582
2011-12	9,698,378,507	1,454,756,776	-	1,454,756,776
2012-13	10,202,177,182	1,530,326,577	-	1,530,326,577
2013-14	11,159,691,006	1,673,953,651	-	1,673,953,651
2014-15	11,894,742,345	1,784,211,352	-	1,784,211,352
2015-16	12,831,411,774	1,924,711,766	-	1,924,711,766
2016-17	13,713,091,004	2,056,963,651	-	2,056,963,651
2017-18	14,654,150,002	2,198,122,500	-	2,198,122,500

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Source:

* HdL Coren & Cone

City of Los Altos
 Demographic Statistics
 Last Ten Fiscal Years

Fiscal Year	City Population (1)	Percentage Change	School Enrollment (2)	Percentage Change	Unemployment Rate (1)	Per Capita Personal Income (1)	Median Age (1)	% of H School Degree (1)	% of C School Degree (1)
2008-09	28,458	0.59%	7,908	0.23%	5.6%	96,222			
2009-10	28,863	1.42%	7,966	0.73%	5.5%	92,389	46.9	98.10%	76.10%
2010-11	28,863	0.00%	8,035	0.87%	5.7%	73,414	45.3	98.10%	76.80%
2011-12	29,460	2.07%	8,138	1.28%	4.9%	72,608	45.4	98.50%	78.20%
2012-13	29,792	1.13%	8,198	0.74%	3.2%	74,570	45.8	98.70%	76.70%
2013-14	29,969	0.59%	8,303	1.28%	2.6%	79,102	46.1	98.70%	77.40%
2014-15	29,884	-0.28%	8,284	-0.23%	3.4%	83,041	46.2	98.80%	78.70%
2015-16	31,353	4.92%	8,666	4.61%	2.7%	80,407	46.2	98.70%	79.00%
2016-17	31,402	0.16%	8,606	-1%	2.4%	86,558	45.7	98.70%	80.00%
2017-18	31,361	-0.13%	8,685	1%	1.6%	93,010	45.7	98.60%	80.90%

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Sources:

- (1) HdL Coren & Cone
- (2) State of California Department of Education

City of Los Altos
Principal Employers
Current Year and Eight Years Prior

Employer	2017-18			2009-10		
	Employees (1)	Rank	% of Total City Employment	Employees(1)	Rank	% of Total City Employment
Los Altos School District	568 * (2)	1	4.26% (A)	568 * (2)	1	4.54%
Whole Food Market	242	2	1.81%	198	2	1.58%
Los Altos High School	217 (3)	3	1.63%	217 (3)	6	1.74%
Palo Alto Medical Foundation	135	4	1.01%	N/A		N/A
City of Los Altos	133	5	1.00%	131	7	1.05%
Coldwell Banker	130	6	0.97%	190	3	1.52%
Adobe Animal Hospital	129	7	0.97%	125	8	1.00%
Alain Pinel Realtors	107	8	0.80%	150	5	1.20%
The David and Lucile Packard Foundation	100	9	0.75%	100	10	0.80%
Trader Joes	71	10	0.53%	N/A		N/A
Total	1,832		13.73%	2,162		17.30%
Total City Employees	13,341			12,500		

Sources:

- (1) City Finance Department, except what is noted
- (2) Los Altos School District
- (3) California State Department of Education

* - This number includes 119 substitute teachers.

Note: (A) Current year information not available.

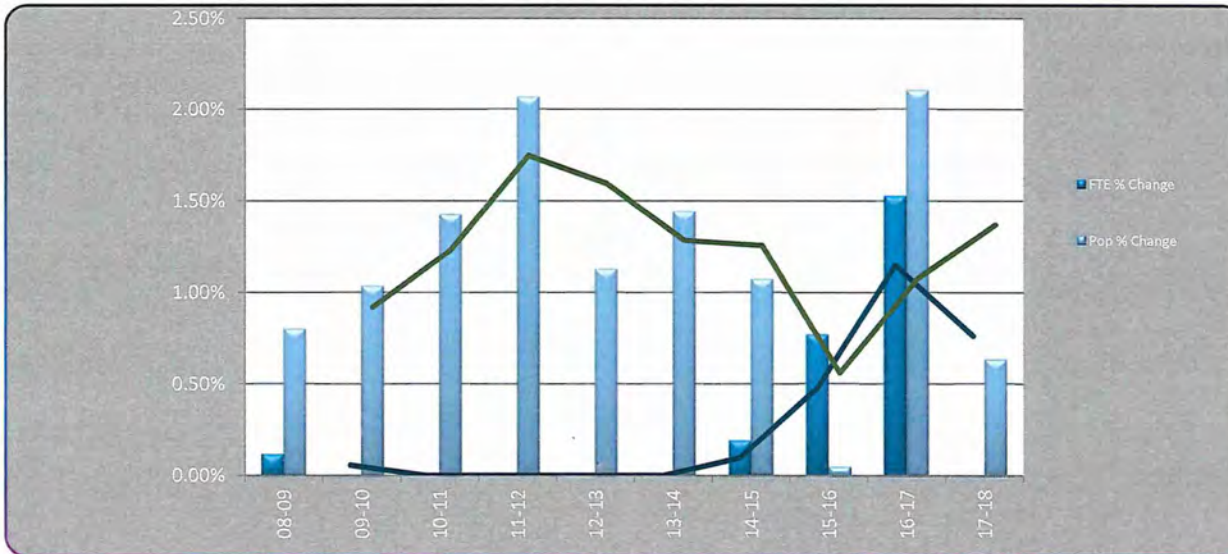
City of Los Altos
 Full-time Equivalent City Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<i>Public Safety *</i>										
Police Operations	36.50	32.00	32.00	32.00	32.00	32.00	32.00	31.00	31.00	31.00
Police Traffic Safety	2.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Communications	8.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
<i>Maintenance Services</i>	29.00	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50
<i>Recreation</i>	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00
<i>Community Development</i>										
Planning & Building	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	15.00	15.00
Engineering	9.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00
Economic Development	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Administration</i>										
City Management	6.25	5.75	4.75	4.75	4.75	5.00	5.00	5.00	5.00	5.00
Administration & Finance	10.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.00	12.00
<i>Sewer</i>	6.75	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
<i>Solid Waste</i>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<i>Storm Drain</i>	1	1	1	1	1	1	1	0	0	0
Total	129.75	129.75	129.75	129.75	129.75	130.00	130.00	131.00	133.00	133.00

Source:
 City of Los Altos Finance Department

Notes: In FY09-10 Staffing assignments were recategorized in the revision of the budget process to align with functional areas.

City of Los Altos
 Full-time Equivalent City Employees by Function/Program
 Last Ten Fiscal Years



City of Los Altos
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008-09 *	2009-10 *	2010-11 *	2011-12 *	2012-13 *	2013-14 *	2014-15 *	2015-16 *	2016-17 *	2017-18 *
<i>Police:</i>										
Arrests	630	634	396	301	308	283	312	222	210	211
Moving citations issued	2,926	1,879	1,437	1,385	1,285	1,069	1,555	1,757	982	1,203
Parking citations issued	2,015	1,531	960	1,938	1,947	2,559	2,266	3,138	2,431	1,879
Municipal code violations issued	458	580	21	25	56	161	109	103	25	115
<i>Public Works:</i>										
Crack sealing in lineal feet	105,600	53,326	56,984	66,290	98,136	2,112	113,784	101,040	110,000	174,040
Street sign installed and replaced	206	1,042	117	1,361	511	949	596	457	100	320
<i>Recreation:</i>										
Classes/programs	1,332	1,604	1,714	1,821	2,675	2,738	2,713	2,107	2,349	2,724
Facility rentals	3,154	4,010	2,462	3,106	2,702	3,501	5,648	5,378	5,927	4,141
Field/gymnasium permits	3,529	2,774	2,415	3,658	3,388	2,945	4,509	2,795	3,433	3,556
<i>Planning:</i>										
Plan applications submitted	376	318	335	404	510	716	757	800	675	686
<i>Building:</i>										
Permits issued	1,602	1,711	1,706	1,690	1,817	1,757	1,751	1,927	1,769	1,795
Plan checks submitted	522	455	537	560	636	649	582	599	619	569
Inspections	6,204	5,788	6,203	7,108	6,631	7,682	7,227	7,517	6,445	6,479
<i>Sewer:</i>										
Cleaning and flushing in lineal feet	732,162	434,250	596,006	852,453	777,285	667,415	683,552	759,456	585,273	713,795
<i>Storm Drain:</i>										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	1,459	2,823	3,038	1,583	1,202	1,898	1,350	1,350	1,350	1,350

Source: City of Los Altos Quarterly Reports.

* Data for this fiscal year were provided by the corresponding departments.

Note:

- (1) Data reflect uses instead of reservation.
- (2) Change in reporting from reported to issued

City of Los Altos
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Safety										
Police Station	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Recreation:										
Number of Parks	10	10	10	10	10	10	10	10	10	10
Park Acreage	38	38	38	38	38	38	38	38	38	38
Number of Libraries	2	2	2	2	2	2	2	2	2	2
Number of History Museum	1	1	1	1	1	1	1	1	1	1
Maintenance Services										
Miles of Streets	127	127	127	127	127	127	127	127	127	127
Number of Traffic Signals	13	13	13	13	13	13	13	13	13	13
Sewer:										
Miles of Sewer Mains	141	141	141	141	141	141	141	141	141	141
Storm Drain:										
Miles of Storm Drain Mains	58	58	58	58	58	58	58	58	58	58

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Source:
 City of Los Altos

City of Los Altos
Trust and Agency Debt Administration
Last Ten Fiscal Years

Non City Obligation Debt
Special Assessment Debt Service

Fiscal Year	Avalon Dr. Curb & Gutter			Raymundo Curb & Gutter			Blue Oak Lne Sewer			Total Special Assessment Debt Service			
	Special	Principal	Interest	Special	Principal	Interest	Special	Principal	Interest	Special	Principal	Interest	Coverage
2008-09	\$ 14,325	\$ 7,000	\$ 3,451	\$ 28,117	\$ 14,000	\$ 11,207	\$ -	\$ -	\$ -	\$ 42,442	\$ 21,000	\$ 14,658	\$ 1
2009-10	13,233	7,000	5,873	27,873	15,000	10,532	-	-	-	41,106	22,000	16,405	1.07
2010-11	27,091	7,000	2,639	26,981	16,000	9,812	51,376	-	34,614	105,448	23,000	47,065	1.50
2011-12	27,091	8,000	2,204	27,216	16,000	9,068	48,104	12,880	34,490	102,411	36,880	45,762	1.24
2012-13	27,091	8,000	1,740	27,405	17,000	8,300	42,960	10,000	31,900	97,456	35,000	41,940	1.27
2013-14	10,044	8,000	1,276	27,341	18,000	7,487	46,491	10,000	31,629	83,876	36,000	40,392	1.10
2014-15	-	18,620	783	27,216	19,000	6,626	50,280	15,000	31,241	77,496	52,620	38,650	0.85
2015-16	-	-	-	29,592	20,000	5,719	48,024	15,000	30,741	77,616	35,000	36,460	1.09
2016-17	-	-	-	26,192	21,000	4,766	51,709	15,000	30,197	77,901	36,000	34,963	1.10
2017-18	-	-	-	26,217	21,000	3,790	49,802	15,000	29,610	76,019	36,000	33,400	1.10

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Source:
City of Los Altos Finance Department

Note : This chart presents Limited Obligation Debt that the City Administers on a trust and Agency Basis. This debt does not represent City Obligations

(1) includes assessment payments in advance for Raymundo Curb & Gutter Special Assessment.

**MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF
THE CITY OF LOS ALTOS, HELD ON TUESDAY, OCTOBER 9, 2018,
BEGINNING AT 7:00 P.M. AT LOS ALTOS CITY HALL, 1 NORTH SAN
ANTONIO ROAD, LOS ALTOS, CALIFORNIA**

ESTABLISH QUORUM

PRESENT: Mayor Mordo, Vice Mayor Lee Eng, Councilmembers Bruins, Pepper and Prochnow

ABSENT: None

PLEDGE OF ALLEGIANCE

CHANGES TO THE ORDER OF THE AGENDA

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Los Altos resident Bill Bassett and Mountain View resident Asim Praveen provided public comment on items not on the agenda.

CONSENT CALENDAR

Vice Mayor Lee Eng pulled item 4. A member of the public pulled item 5.

Action: Upon a motion by Councilmember Pepper, seconded by Councilmember Bruins, the Council unanimously approved the Consent Calendar, with the exception of Items 4 and 5, as follows:

1. Council Minutes: Approved the minutes of the September 25, 2018 regular meeting.
2. Parcel Map: 962 Acacia Avenue: Approved Parcel Map for 962 Acacia Avenue.
3. Quarterly Investment Portfolio Report – Quarter ended June 30, 2018: Received the Investment Portfolio Report through June 30, 2018.
4. Ordinance No. 2018-450: Zoning Code Amendments regarding the disposition of City-owned property: Adopt Ordinance No. 2018-450 regarding the disposition of City-owned property with an “Other Open Space” and “Parks” land use designation – *pulled for discussion (see page 3)*.
5. Ordinance No. 2018-451: Cannabis Prohibition: Adopt Ordinance No. 2018-451 clarifying the prohibition of all medical and adult-use commercial cannabis activities and limit cultivation for personal use in Los Altos – *pulled for discussion (see page 2)*.
6. Ordinance No. 2018-452: Stormwater Pollution Prevention: Adopted Ordinance No. 2018-452 amending Los Altos Municipal Code Chapter 10.16 Stormwater Pollution Prevention Measures to reflect current stormwater pollution prevention requirements for land development projects mandated by the Regional Water Quality Control Board.

7. Annual Concrete Repair Project, TS-01005: Authorized the City Manager to execute a change order of up to \$78,308.00 utilizing remaining funds in the Annual Concrete Repair Project, TS-01005.
8. Los Altos Village Association Tree Lighting Funding Request: Approved the \$9,000 expenditure request by LAVA to be used towards the purchase of LED light strands for the trees along Main Street, State Street, and the parking plazas in Downtown Los Altos.

ITEM REMOVED FROM CONSENT CALENDAR

5. Ordinance No. 2018-451: Cannabis Prohibition: Adopt Ordinance No. 2018-451 clarifying the prohibition of all medical and adult-use commercial cannabis activities and limit cultivation for personal use in Los Altos

Public Comment: Los Altos resident Ken Elchert provided public comment.

Action: Upon a motion by Councilmember Bruins, seconded by Councilmember Pepper, the Council adopted Ordinance No. 2018-541 clarifying the prohibition of all medical and adult-use commercial cannabis activities and limit cultivation for personal use in Los Altos by the following vote: AYES: Bruins, Lee Eng, Mordo, Pepper; NOES: Prochnow; ABSTAIN: None; ABSENT: None

Direction: Council directed staff to craft a section to address ventilation, nuisance and odor issues and to move the amended Ordinance through the regular planning process as soon as possible. City Attorney will provide the Council with the amendment language via email prior to presenting to the Planning Commission to ensure it meets Council's expectations.

DISCUSSION ITEMS

9. Stormwater Fee Report: Approve the structure of the Stormwater Fees and findings of the Stormwater Fee Report; authorize staff to work in consultation with the City Attorney and the Rate Consultant to finalize the Stormwater Fee Report with such changes deemed advisable and not altering the structure of the Stormwater Fees; adopt Resolution No. 2018-39 initiating a proceeding to obtain approval of a property-related fee conforming to Article XIII D, Section 6 of the Constitution; adopt Resolution 2018-40 adopting ballot procedures for a property related fee conforming to Article XIII D, Section 6 of the Constitution

Public Works Director Susanna Chan and Jerry Bradshaw of SCI Consulting Group presented the report.

Public Comment: Los Altos resident Neha Deysai provided public comment.

Action: Upon a motion by Councilmember Bruins, seconded by Vice Mayor Lee Eng, the Council unanimously approved the structure of the Stormwater Fees and findings of the Stormwater Fee Report; authorized staff to work in consultation with the City Attorney and the Rate Consultant to finalize the Stormwater Fee Report with such changes deemed advisable and not altering the structure

of the Stormwater Fees; adopted Resolution No. 2018-39 initiating a proceeding to obtain approval of a property-related fee conforming to Article XIII D, Section 6 of the Constitution; adopted Resolution 2018-40 adopting ballot procedures for a property related fee conforming to Article XIII D, Section 6 of the Constitution.

ITEM REMOVED FROM CONSENT CALENDAR

4. Ordinance No. 2018-450: Zoning Code Amendments regarding the disposition of City-owned property: Adopt Ordinance No. 2018-450 regarding the disposition of City-owned property with an “Other Open Space” and “Parks” land use designation

Vice Mayor Lee Eng expressed concerns that the Ordinance does not protect all public lands.

Action: Upon a motion by Councilmember Bruins, seconded by Councilmember Prochnow, the Council adopted Ordinance No. 2018-450 regarding the disposition of City-owned property with an “Other Open Space” and “Parks” land use designation by the following vote: AYES: Bruins, Mordo, Pepper, Prochnow; NOES: Lee Eng; ABSTAIN: None; ABSENT: None.

STUDY SESSION

10. Review of Floor Area Ratios: Discuss and provide direction to staff

Community Development Director Jon Biggs introduced the item.

Public Comment: The following individuals provided public comment: Huascar Castro from Silicon Valley at Home (SV@Home) and Los Altos residents Anita Enander and Sue Russell.

Direction: City Council directed staff to coordinate a study session of the Planning Commission on ~~Floor Area Ratios (FAR) in concert with~~ the recommendations provided by the Downtown Buildings Committee prior to further analysis of FAR to identify lessons learned and to have the Commission evaluate options and develop draft recommendations on the various tools that can be implemented to achieve the desired look and feel of future development in the City.

INFORMATION ONLY ITEM

- A. City Manager-approved purchases between \$50,000 and \$75,000 for the period July 1 – September 30, 2018
- B. City-owned property table

Direction: City Council directed staff to begin the process of cleaning up parcels listed in the table that have inappropriate land use designations, designating appropriately as “Park” or “Other Open Space” and, where necessary, taking these clean-ups through the planning process.

COUNCIL/STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEMS

Councilmember Prochnow reported that she attended the Youth and Senior Commission meetings on October 1, 2018.

Vice Mayor Lee Eng reported that she attended her usual Commission meetings.

Councilmember Bruins reminded the Council that there is a Waymo Community Forum at Grant Park on October 17, 2018 from 12:30 to 2:30 p.m. She reported that she attended her usual meetings and held Open Office Hours. She further reported that the American Legion would be celebrating its 80th Anniversary in November 2018 and requested that the mayor issue a proclamation. Finally, she updated the City Council on the development of a Housing Incentive Pool (HIP) program by Metropolitan Transportation Commission (MTC).

Councilmember Pepper reported that she attended the Sierra Club *Guardians of Nature* event honoring Santa Clara County Supervisor Joe Simitian and that she moderated a League of Women Voters candidate forum for the Los Altos School District.

City Manager Jordan reminded the Council that its next meeting will be October 23, 2018 and will include joint meetings with six of the City Commissions beginning at 5:00 p.m. and a regular meeting consisting of a short Consent Calendar. He also reminded the Council that multiple closed sessions will take place beginning at 5:00 p.m. on October 30, 2018.

ADJOURNMENT

Mayor Mordo adjourned the meeting at 9:18p.m.

Jean Mordo, MAYOR

Jon Maginot, CMC, CITY CLERK

**MINUTES OF THE STUDY SESSION OF THE CITY COUNCIL OF
THE CITY OF LOS ALTOS, HELD ON TUESDAY, NOVEMBER 13, 2018,
BEGINNING AT 6:00 P.M. AT LOS ALTOS CITY HALL, 1 NORTH SAN
ANTONIO ROAD, LOS ALTOS, CALIFORNIA**

ESTABLISH QUORUM

PRESENT: Mayor Mordo, Vice Mayor Lee Eng, Councilmembers Bruins, Pepper and Prochnow

ABSENT: None

ITEM FOR CONSIDERATION

1. Urban Forestry – Tree Preservation and Maintenance: Receive the report on the Urban Forestry Plan and provide guidance and feedback

Public Works Director Chan and Community Development Director Biggs presented the report.

Public Comment: Los Altos resident Anita Enander provided public comment.

Direction: Council directed staff to include a variety of strategies to improve the Urban Forestry Plan, including:

- Adding a procedure to the Tree Policy that enables the City to compel a homeowner to remove dead or dying trees that are fire hazards from private property;
- Improving photographic documentation of trees;
- Creating clear and visible signage when trees are scheduled to be removed;
- Including language in arborist reports detailing how to protect trees during construction projects;
- Encouraging developers to include similar protection measures in project plans;
- Having a representative on site to monitor excavation projects that occur near protected trees to proper protection;
- Communicating with schools to inform them of the process to remove trees;
- Providing education to the community on the permit requirement (e.g., City Manager Weekly Update);
- Identifying and prioritizing designated locations for improved tree canopy maintenance, including removal and replacement;
- Ensuring PG&E tree replacement project is complete and that the City is using that dedicated project funding to pay for replacement trees;
- Investigating use of Tree Plotter software;
- Using volunteer or school organizations to conduct tree inventory and reports; and
- Investigating Our City Forest nursery in San Jose or a similar program for free trees to replace City trees and to incentivize residents to replace dead trees.

ADJOURNMENT

Mayor Mordo adjourned the meeting at 6:46 p.m.

Jean Mordo, MAYOR

Jon Maginot, CMC, CITY CLERK

**MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF
THE CITY OF LOS ALTOS, HELD ON TUESDAY, NOVEMBER 13,
2018, BEGINNING AT 7:00 P.M. AT LOS ALTOS CITY HALL, 1 NORTH
SAN ANTONIO ROAD, LOS ALTOS, CALIFORNIA**

ESTABLISH QUORUM

PRESENT: Mayor Mordo, Vice Mayor Lee Eng, Councilmembers Bruins, Pepper and Prochnow

ABSENT: None

PLEDGE OF ALLEGIANCE

Presented by Junior Girl Scouts, Troop 60126

CHANGES TO THE ORDER OF THE AGENDA

None

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

The following individuals provided public comment: Elisabeth Ward and Los Altos residents Bill Bassett and Chris Hoeber.

CONSENT CALENDAR

Councilmember Bruins pulled item 1.

Action: Upon a motion by Councilmember Bruins, seconded by Councilmember Prochnow, the Council unanimously approved the Consent Calendar, except for the minutes of October 9, 2018, which are continued to the November 27, 2018 meeting.

1. Council Minutes: Approved the minutes of the October 23, 2018 regular meeting – *October 9, 2018 minutes continued to November 27, 2018 meeting.*
2. Resolution No. 2018-41: Annual Concrete Repair, Project TS-01005: Adopted Resolution No. 2018-41 accepting completion of Annual Concrete Repair, Project TS-01005; authorized the Public Works Director to record a Notice of Completion as required by law.
3. Professional Services Agreement: San Antonio Road and West Portola Avenue Improvements, Project TS-01037: Authorized the City Manager to execute a professional services agreement between the City of Los Altos and Kimley-Horn and Associates, Inc. in an amount not to exceed \$157,144 for design services for CIP Project TS-01037, San Antonio Road and West Portola Avenue Improvements.

DISCUSSION ITEMS

4. Update on Miramonte Avenue Path, Project CF-01006: Authorize staff to continue with current design and construction of Miramonte Avenue Path, Project CF-01006

Transportation Services Manager Bodduna presented the report.

Public Comment: The following Los Altos residents provided public comment: Mrinalini Sharma, Blaine Garst (speaking on behalf of himself and Viviana Bandina), Margaret Goossens, Henry More, Marge Haley, Sarah Chang, Michele Coldiron, Bill Sheppard, Becky Sarabia, Teresa Morris, Ronn Coldiron, Sharon Johnson, David Deatherage, Linda Hsi, Alice Shyu, Jeff Taylor, Bob Jacobsen, Pushkar Hingwe, Sateesh, Debbie Skelton, Ed Saddi (speaking on behalf of himself and Jill Sturges), Tallis Blalack (speaking on behalf of himself and Jonathan Shores), Trina Weller (speaking on behalf of herself, Jane Osborn and Leo Torreano).

Action: Upon a motion by Councilmember Pepper, seconded by Councilmember Lee Eng, the Council directed staff to discontinue the current design and construction of the Miramonte Path Project, and instead work with the neighborhood to redesign the project with an emphasis on traffic calming elements and bicycle- and pedestrian-safe facilities with improved bike lanes; informal walking paths; a raised crosswalk at Berry Avenue; and more parking in front of the homes, by the following vote: AYES: Lee Eng, Mordo, Pepper; NOES: Bruins, Prochnow; ABSTAIN: None; ABSENT: None.

Mayor Mordo recessed the meeting at 8:59 p.m. The meeting resumed at 9:08 p.m.

5. Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real: Adopt Resolution No. 2018-42, which will approve Design Review application 18-D-01, Use Permit application 18-UP-01 and Subdivision application 18-SD-01 for a new 50-unit multiple-family development at 4856 El Camino Real

Planning Services Manager Dahl presented the report.

Project applicant Mircea Voskerician introduced the project and project architect Jeff Potts presented the project.

Public Comment: The following individuals provided public comment: Bryan Robertson and Los Altos residents Abby Ahrens, Sue Russell, Teresa Morris and Debbie Skelton.

Action: Upon a motion by Councilmember Bruins, seconded by Vice Mayor Lee Eng, the Council continued the public hearing of Resolution No. 2018-42, which will approve Design Review application 18-D-01, Use Permit application 18-UP-01 and Subdivision application 18-SD-01 for a new 50-unit multiple-family development at 4856 El Camino Real, to date certain, November 27, 2018 meeting, and directed staff to meet with the applicant to discuss the direction listed below, by the following vote: AYES: Bruins, Lee Eng, Mordo, Pepper, Prochnow; NOES: None; ABSTAIN: None; ABSENT: None.

Direction: Council directed staff to meet with the applicant with staff to discuss the possibility of increasing the number of BMR units by 2 (for total of 10 affordable units); distributing the income level of the BMR units as follows: 3 moderate income level, 6 very-low income level, and 1 low-income level; aligning the mix of BMR units with that of the market-rate units (i.e., the mix of BMR units

should reflect both the number of bedrooms/size of and the physical distribution of the market rate units); and that all the BMR units be designated as rental units.

COUNCIL/STAFF REPORTS AND DIRECTIONS ON FUTURE AGENDA ITEMS

Councilmember Prochnow reported that she attended the November 5, 2018 Senior and Youth Commission meetings.

Mayor Mordo reported that he attended the Los Altos – Los Altos Hills Joint Community Volunteer Service Awards Committee meeting on November 12, 2018. He reported that the FAA recently came out with proposal for new waypoint and route for arrival in SFO over Los Altos and Mountain View for transpacific flights. He further reported that he and Mountain View Vice Mayor Lisa Matichak issued a letter to the FAA with their objections to the proposal.

Councilmember Pepper reported that she attended the Cities Association meeting on Thursday, November 8, 2018. She encouraged Councilmembers to attend the Cities Association dinner on December 7, 2018 at Picchetti Winery.

Vice Mayor Lee Eng reported that she attended the Miramonte Neighborhood, the Santa Clara County Library Commission, and Santa Clara Valley Water District meetings.

Councilmember Bruins reported that she attended meetings of MTC, SVCEA, CalTrain, VTA, and Cities Association Select Committee. She further reported that she attended the Rotary's Annual Veteran's Luncheon.

Future Agenda Items

Investigate process for designating the American Legion as a Historic site- bring back to Council if necessary.

Investigate request to designate Class II bike lanes along Foothill Expressway- bring back to Council if necessary.

ADJOURNMENT

Mayor Mordo adjourned the meeting at 11:13 p.m.

Jean Mordo, MAYOR

Jon Maginot, CMC, CITY CLERK



CONSENT CALENDAR

Agenda Item # 2

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Quarterly Investment Portfolio Report – Quarter Ended September 30, 2018

Prepared by: Sarina Revillar, Financial Services Manager

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Portfolio Mix Charts
2. Investment Policy Compliance Chart
3. Investment Performance Review Quarter Ended September 30, 2018

Initiated by:

Staff

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- None

Summary:

- This report presents the status of the City's investment portfolio through September 30, 2018. The reporting model has been developed in coordination with PFM Asset Management LLC (PFM), the City's investment portfolio managers

Staff Recommendation:

Receive the Investment Portfolio Report through September 30, 2018



Subject: Quarterly Investment Portfolio Report – Quarter Ended September 30, 2018

Purpose

These quarterly reports are presented to both the City Council and the Financial Commission to keep both bodies apprised as to the status of the City’s investment holding and demonstrate compliance with the City’s Investment Policy.

Background

A review of the Investment Portfolio Report Quarter Ended September 30, 2018 was presented and discussed by the Financial Commission.

Discussion/Analysis

The summary provided below presents the total of all City investment holdings. The City’s portfolio book value, excluding operating cash and bond holdings as of September 30, 2018, was \$76,368,139.

As of September 30, 2018, 12.4% of the City’s portfolio was placed in Federal Agency Securities (Fannie Mae, Federal Home Loan Bank, Federal Home Loan Mortgage and Federal Farm Credit), 22.3% in US Treasuries, 11.2% in Asset-Backed Securities, 17.8% in medium-term corporate Notes and Commercial Paper, and 12% in Certificate of Deposits, with a balance of 24.3% in LAIF. This portfolio mix is illustrated in Attachment 1.

Full compliance with the City’s Investment Policy is monitored closely and on a per trade basis as illustrated in Attachment 2. In accordance with California Government Code 53646(b)(3), the City of Los Altos has the ability to meet its pool expenditure requirements for the next six months.

As part of these quarterly updates, a status report is prepared by PFM which is included as Attachment 3: Investment Performance Review for the Quarter Ended September 30, 2018. It is important to note that this report highlights the performance of City investments that fall outside its liquid holdings with LAIF. This has been intentionally crafted to isolate the performance of the City’s independently managed investments. The total return of the portfolio since inception is 0.77%, which is highlighted on page 10, of Attachment 3.

Options

- 1) Receive the Investment Portfolio Report Quarter Ended September 30, 2018

Advantages: None

Disadvantages: None



Subject: Quarterly Investment Portfolio Report – Quarter Ended September 30, 2018

2) Do not receive the Investment Portfolio Report Quarter Ended September 30, 2018

Advantages: None

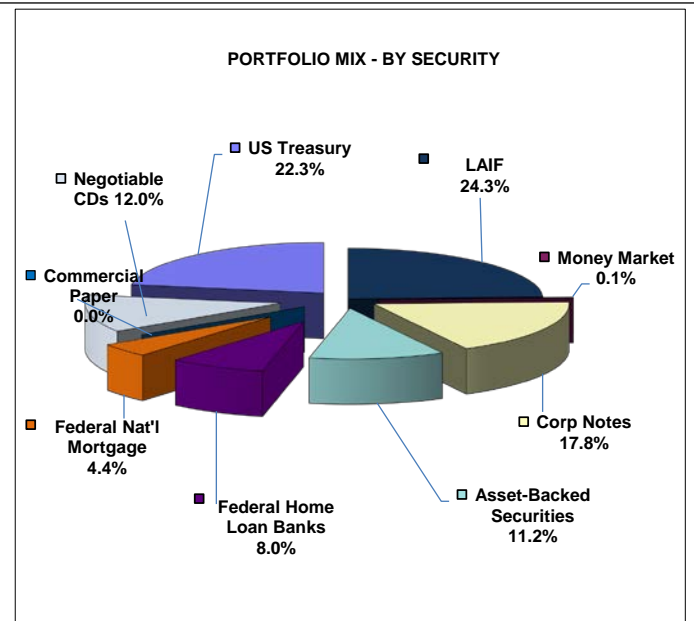
Disadvantages: None

Recommendation

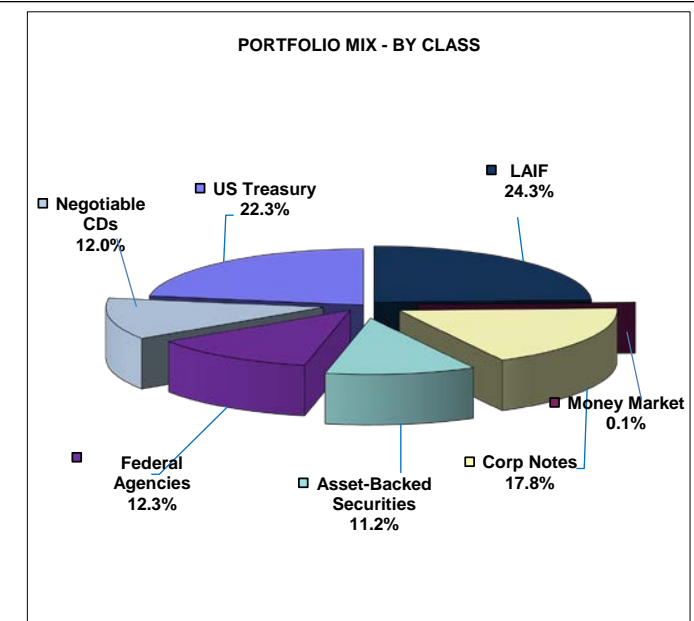
The staff recommends Option 1.

**Portfolio Mix Charts
Sept 2018**

Security Type	% of Total	Portfolio Mix By Security
LAIF	24.3%	17,571,219
Money Market	0.1%	96,838
Corp Notes	17.8%	12,850,000
Asset-Backed Securities	11.2%	8,091,323
Federal Home Loan Banks	8.0%	5,785,000
Federal Nat'l Mortgage	4.4%	3,148,758
Commercial Paper	0.0%	-
Negotiable CDs	12.0%	8,665,000
US Treasury	22.3%	16,160,000
	100%	72,368,139



Security Type	% of Total	Portfolio Mix Par Value	Market Value
LAIF	24.3%	17,571,219	17,571,219
Money Market	0.1%	96,838	96,838
Corp Notes	17.8%	12,850,000	12,688,583
Asset-Backed Securities	11.2%	8,091,323	8,035,839
Federal Agencies	12.3%	8,933,758	8,804,270
Negotiable CDs	12.0%	8,665,000	8,633,309
US Treasury	22.3%	16,160,000	15,832,722
	100%	72,368,139	71,662,779
Corp Notes		12,850,000	12,688,583
Asset-Backed Securities		8,091,323	8,035,839
US Treasury/Agencies		25,093,758	24,636,992
Negotiable CDs		8,665,000	8,633,309
Accrued Interest		-	243,920
		54,700,082	54,238,642
Margin Over (Under) Par			(461,440)



Policy Compliance Chart

City Investment	% Mix	Par Value	Earliest Term	City Policy Term Limitation	City Policy \$ Limitation	City Policy % Limitation	CAPACITY	% Compliance Yes/No	Term Compliance Yes/No
LAIF	24%	17,571,219	09/30/18	No Term	65,000,000	100%	47,428,781	Yes	N/A
Money Market	0%	96,838	09/30/18	Overnight		20%	14,376,790	Yes	N/A
Corp Notes	18%	12,850,000	09/23/16	5 Years		30%	8,860,442	Yes	Yes
Asset-Backed Securities	11%	8,091,323	01/25/17	5 Years		20%	6,382,304	Yes	Yes
Federal Agencies	12%	8,933,758	08/02/16	5 Years		100%	63,434,380	Yes	Yes
Commercial Paper	0%	-	09/30/18	270 Days		25%	18,092,035	Yes	N/A
Negotiable CDs	12%	8,665,000	05/04/17	3 Years		30%	13,045,442	Yes	Yes
US Treasury	22%	16,160,000	12/05/16	5 Years		100%	56,208,139	Yes	Yes
	<u>100%</u>	<u>72,368,139</u>							



CITY OF LOS ALTOS

Investment Performance Review For the Quarter Ended September 30, 2018

Client Management Team

Monique Spyke, Managing Director

Izac Chyou, Senior Managing Consultant

PFM Asset Management LLC

50 California Street, Suite 2300

San Francisco, CA 94111

415-982-5544

213 Market Street

Harrisburg, PA 17101-2141

717-232-2723

Market Update

QUARTERLY MARKET SUMMARY

SUMMARY

- U.S. growth remained healthy in the third quarter as the unemployment rate hit historical lows, confidence rose further and stocks surged. This occurred despite ongoing concerns about a trade war with China, a disorderly Brexit, Italian budget concerns, Iran sanctions, a Turkish debt crisis and other geopolitical risks.
- Positive domestic economic data included strong readings on the labor market, auto sales, industrial production, manufacturing and service sector purchasing manager surveys and consumer sentiment. On the weaker side, residential housing has slowed due to escalating prices and higher mortgage rates. Broad measures of inflation also moderated a bit during the quarter. Lastly, the twin deficits – the federal budget deficit and trade deficit – both portend long-term imbalances that could be problematic for sustainable long-term growth of the U.S. economy.
- Amid strong economic fundamentals, the Federal Reserve (Fed) stayed the course, raising the federal funds rate by 0.25% to a new target range of 2.00% to 2.25%. Despite the removal of longstanding language from the Federal Open Market Committee (FOMC) statement that previously characterized the stance of monetary policy as “accommodative,” updated FOMC forecasts indicated an additional 0.25% hike is expected in December, followed by two to four more hikes in 2019.
- The S&P 500 Index (S&P) soared by 7.7% during the quarter, lifting the year-to-date (YTD) return to 10.6%. But, prices may have gotten ahead of themselves, increasing the risk of a near-term pullback. International indices also posted healthy gains, despite a few struggling emerging market (EM) economies.

ECONOMIC SNAPSHOT

- Real gross domestic product (GDP) in the U.S. grew at an annualized rate of 4.2% in the second quarter, the fastest pace since 2014. Growth in the third quarter is expected to slow a bit, but remains healthy.
- U.S. labor market conditions remained strong during the quarter. The U.S. economy has added an average of more than 200,000 jobs per month this year, and the unemployment rate dropped to a 48-year low of 3.7%. Although there are a record number of job openings in the U.S., strong employment reports continue to suggest that the job market remains tight.
- On the inflation front, many gauges are now at or near the Fed’s 2% target. While job growth is solid, wage growth has been slower than in previous expansionary cycles, as companies continue to resist raising wages. Tariffs could, however, push prices higher as a result of the increased cost of raw materials and growing supply bottlenecks. Rising oil prices may nudge overall prices higher in coming quarters.

INTEREST RATES

- U.S. Treasury yields rose by 20-30 basis points (bps) (0.20% to 0.30%) in the quarter, with short-term yields outpacing longer-term yields. For example, the yield on the two-year Treasury note rose 29 bps to 2.82%, while the yield on the 10-year note rose 20 bps to end the quarter at 3.06%. The result was a flatter yield curve over the quarter, but the pace of flattening moderated near quarter-end.

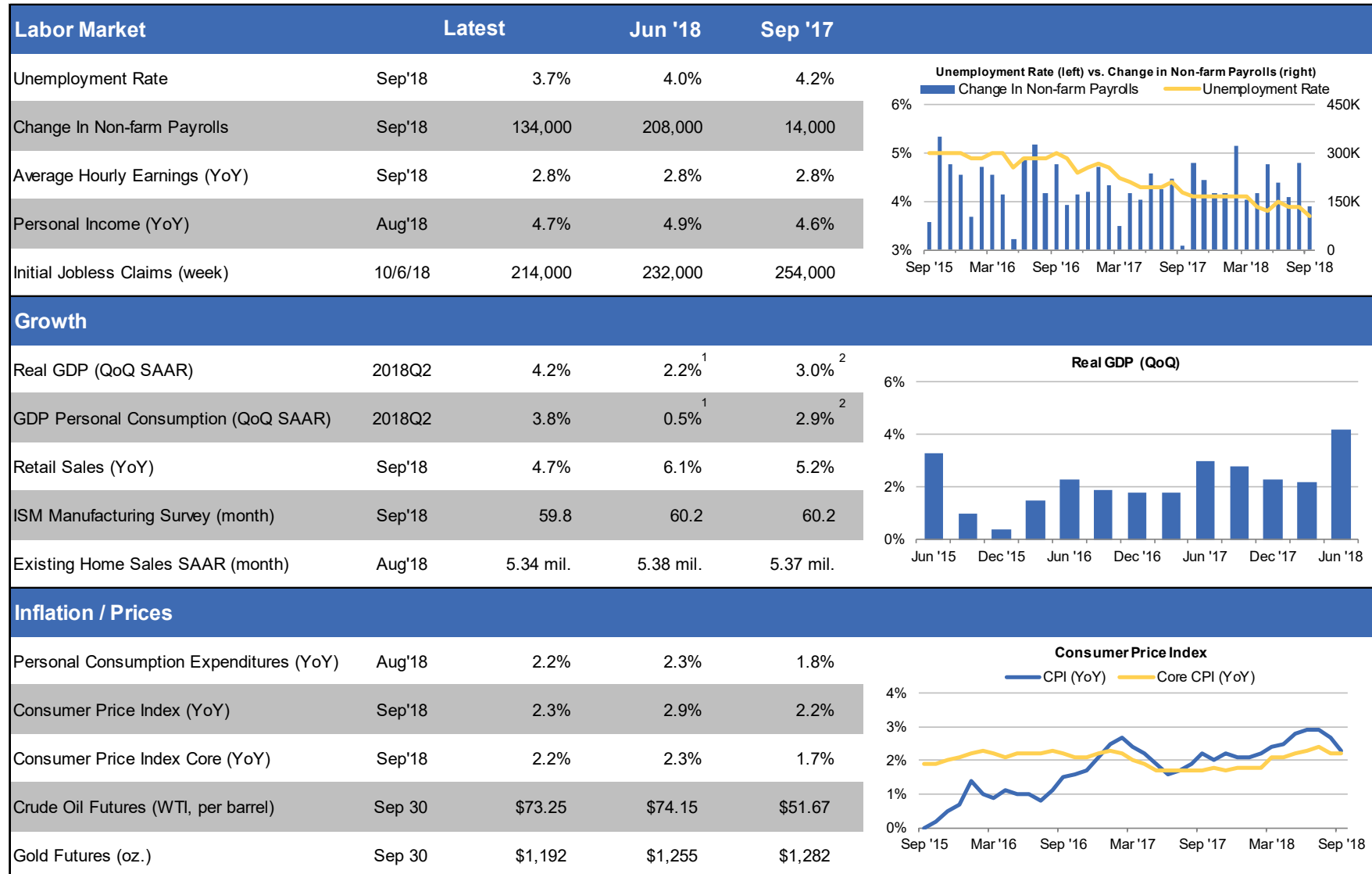
- The yield curve remains very flat from a historical perspective (less incentive for investors to increase maturity). The yield difference between 10-year and two-year U.S. Treasury notes ended the quarter at 24 bps (0.24%), only 8 bps off of the decade low. While a flattening curve is not a foolproof indicator of future recession, it is one of many signals investors look at for indications of the future economy.
- As a result of rising yields, shorter Treasury indices outperformed longer-maturity ones. Although longer maturities provided higher yields, the small incremental benefit due to a flat yield curve was not sufficient to offset the adverse impact on market values due to increasing yields. For example, the three-month Treasury bill index generated a return of 0.49% for the quarter, while the five- and 10-year Treasury returned -0.26% and -1.1%, respectively.

SECTOR PERFORMANCE

- Although Treasury returns were muted by rising rates during the quarter, diversification into other sectors added value as most other investment-grade (IG), fixed-income asset classes outperformed Treasuries. Corporates and asset-backed securities (ABS) performed well, generating strong, positive excess returns.
- Despite very narrow spreads available in the federal agency sector, returns in the sector generated excess returns near double digits for the third quarter. Because of their incremental yield and shorter durations, callable agencies accounted for the majority of the excess returns from the sector.
- Supranational securities performed well, as the combination of tighter spreads and incremental income led to the sector posting attractive returns relative to both Treasuries and agencies.
- The corporate sector benefitted the most from incremental income, posting attractive excess returns for the third quarter. Record earnings, stable credit fundamentals and a generally positive economic environment continued to serve as tailwinds to the sector. Specifically, one- to three-year BBB-rated corporate issuers were one of the best-performing segments of the IG market during the third quarter.
- Similarly, AAA-rated ABS were a positive contributor to performance for the third quarter, posting excess returns on average in the 25-30 bps range.
- Mortgage-backed securities (MBS) generated positive excess returns for the second consecutive quarter, despite still being in the red YTD. Longer was better for the third quarter, as 30-year collateral pools outperformed their 15-year counterparts. Meanwhile, agency-backed commercial MBS (CMBS) was the best segment of the securitized asset class, as these structures are less sensitive to increasing interest rates.
- Commercial paper and certificate of deposit yield spreads grinded to one-year lows over the quarter. As a result, short-term credit instruments now look more expensive relative to U.S. Treasuries. Still, they offer incrementally higher yields relative to similar-maturity government alternatives.

QUARTERLY MARKET SUMMARY

Economic Snapshot



1. Data as of First Quarter 2018.

2. Data as of Second Quarter 2017.

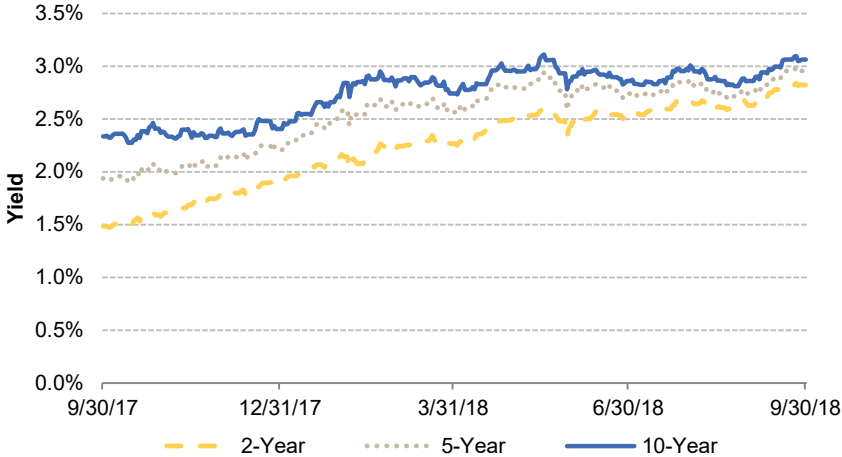
Note: YoY = year-over-year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

Source: Bloomberg.

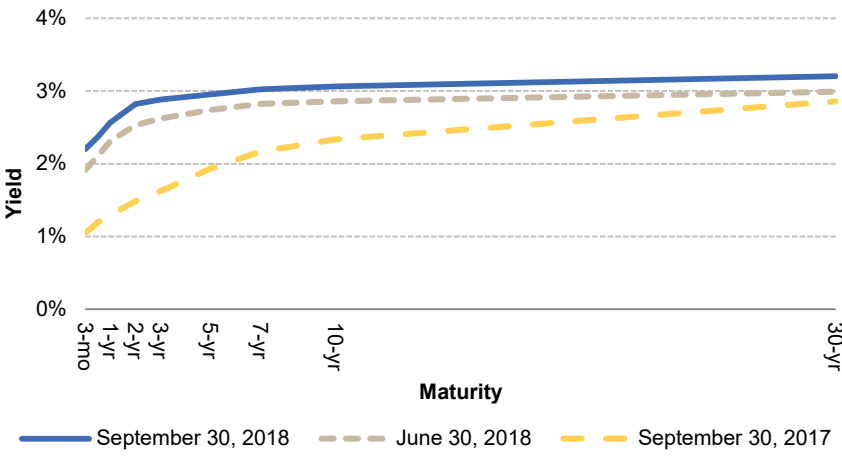
QUARTERLY MARKET SUMMARY

Interest Rate Overview

U.S. Treasury Note Yields



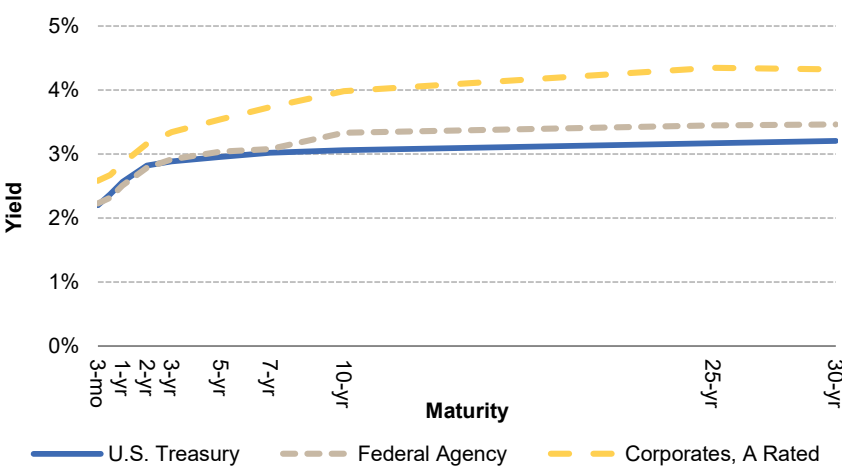
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Sep '18	Jun '18	Change Over Quarter	Sep '17	Change Over Year
3-month	2.20%	1.92%	0.28%	1.05%	1.15%
1-year	2.57%	2.31%	0.26%	1.29%	1.28%
2-year	2.82%	2.53%	0.29%	1.49%	1.33%
5-year	2.95%	2.74%	0.21%	1.94%	1.01%
10-year	3.06%	2.86%	0.20%	2.33%	0.73%
30-year	3.21%	2.99%	0.22%	2.86%	0.35%

Yield Curves as of 9/30/18



Source: Bloomberg.

QUARTERLY MARKET SUMMARY

ICE BofAML Index Returns

September 30, 2018	As of 9/30/18		Returns for Periods ended 9/30/18		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.81	2.80%	0.19%	0.04%	0.38%
Federal Agency	1.69	2.80%	0.32%	0.34%	0.59%
U.S. Corporates, A-AAA-rated	1.83	3.21%	0.67%	0.67%	1.38%
Agency MBS (0 to 3 years)	4.53	3.45%	(0.37%)	(0.38%)	0.82%
Taxable Municipals	1.80	3.06%	0.60%	1.32%	2.14%
1-5 Year Indices					
U.S. Treasury	2.58	2.85%	0.05%	(0.58%)	0.29%
Federal Agency	2.03	2.84%	0.26%	0.03%	0.59%
U.S. Corporates, A-AAA-rated	2.59	3.35%	0.66%	0.06%	1.47%
Agency MBS (0 to 5 years)	3.65	3.30%	0.11%	(0.82%)	0.81%
Taxable Municipals	2.41	3.38%	0.57%	1.08%	2.15%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.13	2.95%	(0.66%)	(1.64%)	0.28%
Federal Agency	3.89	2.99%	(0.01%)	(0.56%)	0.80%
U.S. Corporates, A-AAA-rated	6.82	3.79%	0.67%	(1.29%)	2.43%
Agency MBS (0 to 30 years)	5.11	3.56%	(0.12%)	(0.88%)	1.00%
Taxable Municipals	10.33	4.19%	(0.67%)	(0.38%)	4.67%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

Portfolio Review

Portfolio Recap

- We positioned the portfolio with a defensive duration posture, holding maturities shorter than the benchmark for the majority of the past two quarters in light of the Fed's impact on short-term rates. This strategy benefited portfolio returns as yields across the yield curve approached new highs for the cycle. Because the curve is so flat, holding longer maturities resulted in very little incremental yield. On balance, the tradeoff between slightly lower yields (a position short of the benchmark) and less exposure to the negative market value impact of the rise in rates during the quarter (from a shorter duration) resulted in outperformance vs. benchmarks.
- After a robust second quarter, strong economic fundamentals gave investors further confidence in corporate and other non-government sectors. Most investment-grade sectors contributed positive excess returns (returns in excess of similar-duration Treasuries) to fixed-income portfolios for the quarter.
- As has been the case for some time, federal agency yield spreads remained extremely narrow throughout the quarter. We generally underweighted agencies in favor of U.S. Treasuries or other sectors.
- After adding to supranational allocations in the first half of the year, a sharp decline in issuance caused yield spreads to narrow, resulting in a strong performance for the sector but few new opportunities.
- In the corporate sector, strong economic tailwinds created a favorable investment landscape. Corporate returns dominated their government counterparts, adding significant value to the portfolio in the third quarter.
- We actively sought to increase allocations to asset-backed securities (ABS). Our view of the ABS sector was that it remained a high-quality diversifier to corporate allocations, providing incremental income with a high degree of downside protection given the sector's strong structural protections and AAA ratings. During the third quarter, the sector provided attractive excess returns.
- After providing several consecutive quarters of incremental income relative to short-term government alternatives, yield spreads on commercial paper and negotiable bank certificates of deposit narrowed to 1-year lows. Our strategy in the third quarter was to be more selective with regard to issuer/maturity and wait for the next Fed rate hike (which occurred on September 26) before reassessing value in short credit instruments.
- Our view of mortgage-backed securities (MBS) remained cautious. As such, our allocations to MBS were generally small and focused on structures with limited extension risk such as shorter-maturity pass-throughs and collateralized mortgage obligations (CMOs), agency-backed commercial mortgage-backed securities (CMBS), and MBS with higher coupons, all of which carry less downside risk in a rising rate environment.

Sector Allocation and Compliance

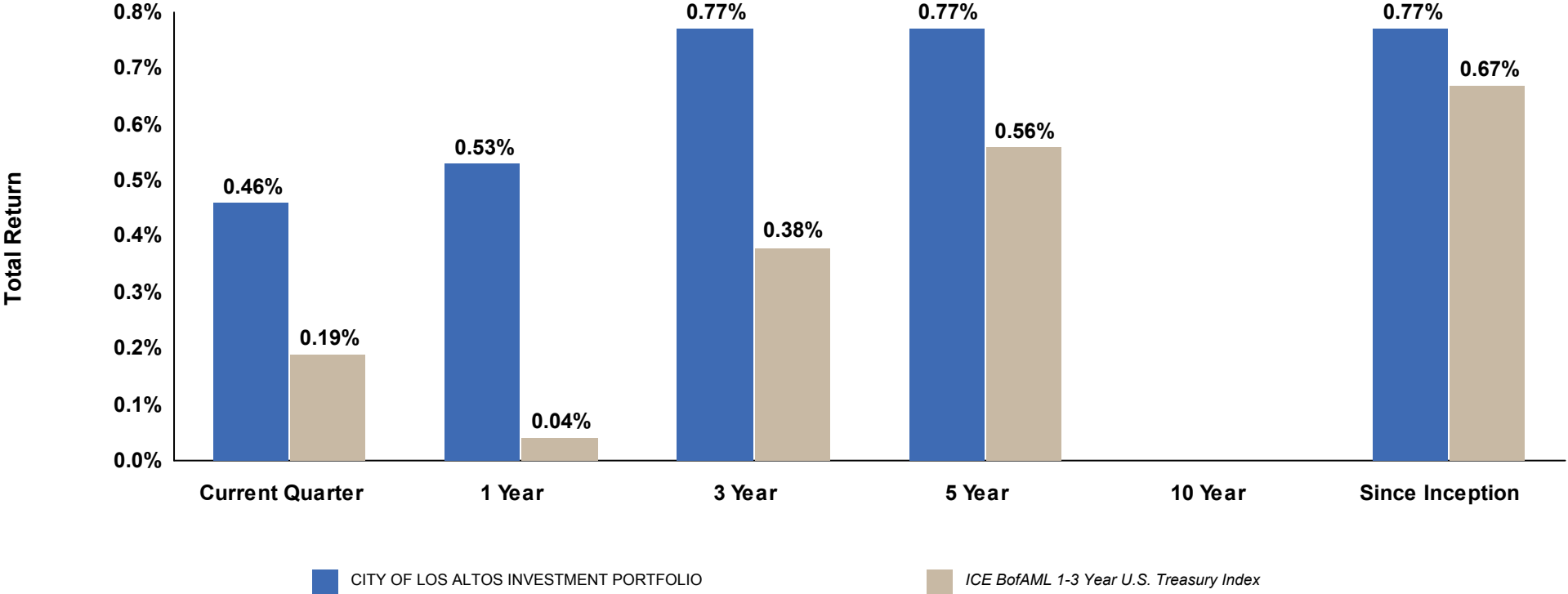
- The portfolio is in compliance with the City's Investment Policy and the California Government Code.

Security Type	Market Value	% of Portfolio	% Change vs. 6/30/18	Permitted by Policy	In Compliance
U.S. Treasury	\$15,832,722	29.3%	+3.2%	100%	✓
Federal Agency	\$4,612,963	8.5%	-5.5%	100%	✓
Federal Agency CMOs	\$362,143	0.7%	-0.0%	100%	✓
Supranationals	\$3,829,164	7.1%	+1.4%	10%	✓
Negotiable CDs	\$8,633,309	16.0%	-1.8%	30%	✓
Corporate Notes	\$12,688,583	23.5%	+0.1%	30%	✓
Asset-Backed Securities	\$8,035,839	14.9%	+2.5%	20%	✓
Securities Sub-Total	\$53,994,722	99.8%			
Accrued Interest	\$243,920				
Securities Total	\$54,238,642				
Money Market Fund	\$96,838	0.2%	+0.1%	20%	✓
Total Investments	\$54,335,480	100.0%			

As of 9/30/2018. Detail may not add to total due to rounding.

Portfolio Performance* (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	Annualized Return				Since Inception (06/30/10) **
			1 Year	3 Year	5 Year	10 Year	
CITY OF LOS ALTOS INVESTMENT PORTFOLIO	1.64	0.46%	0.53%	0.77%	0.77%	-	0.77%
ICE BofAML 1-3 Year U.S. Treasury Index	1.80	0.19%	0.04%	0.38%	0.56%	-	0.67%
Difference		0.27%	0.49%	0.39%	0.21%	-	0.10%



*Portfolio performance is gross of fees unless otherwise indicated. **Since Inception performance is not shown for periods less than one year.

Portfolio Earnings
Quarter-Ended September 30, 2018

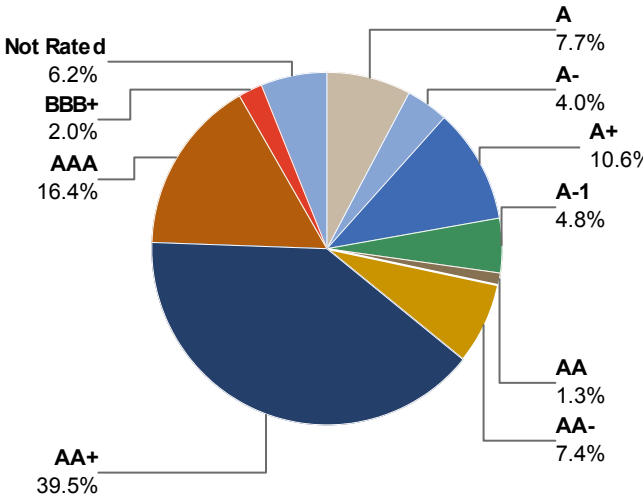
	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2018)	\$53,804,829.24	\$54,438,918.37
Net Purchases/Sales	\$211,540.17	\$211,540.17
Change in Value	(\$21,647.30)	(\$42,080.09)
Ending Value (09/30/2018)	\$53,994,722.11	\$54,608,378.45
Interest Earned	\$271,936.71	\$271,936.71
Portfolio Earnings	\$250,289.41	\$229,856.62

Portfolio Statistics

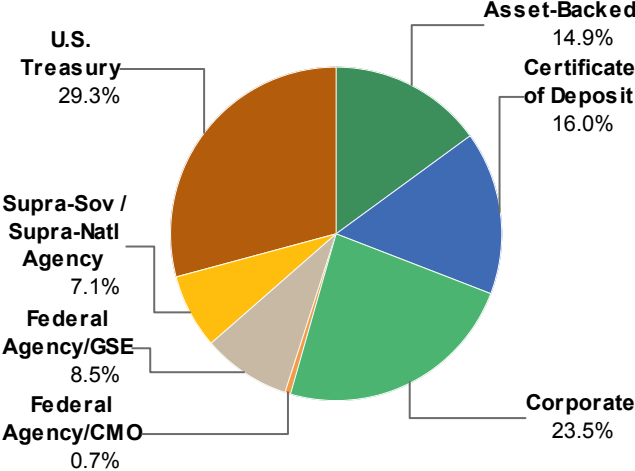
As of September 30, 2018

Par Value:	\$54,700,082
Total Market Value:	\$54,335,480
Security Market Value:	\$53,994,722
Accrued Interest:	\$243,920
Cash:	\$96,838
Amortized Cost:	\$54,608,378
Yield at Market:	2.84%
Yield at Cost:	2.13%
Effective Duration:	1.64 Years
Duration to Worst:	1.74 Years
Average Maturity:	2.03 Years
Average Credit: *	AA

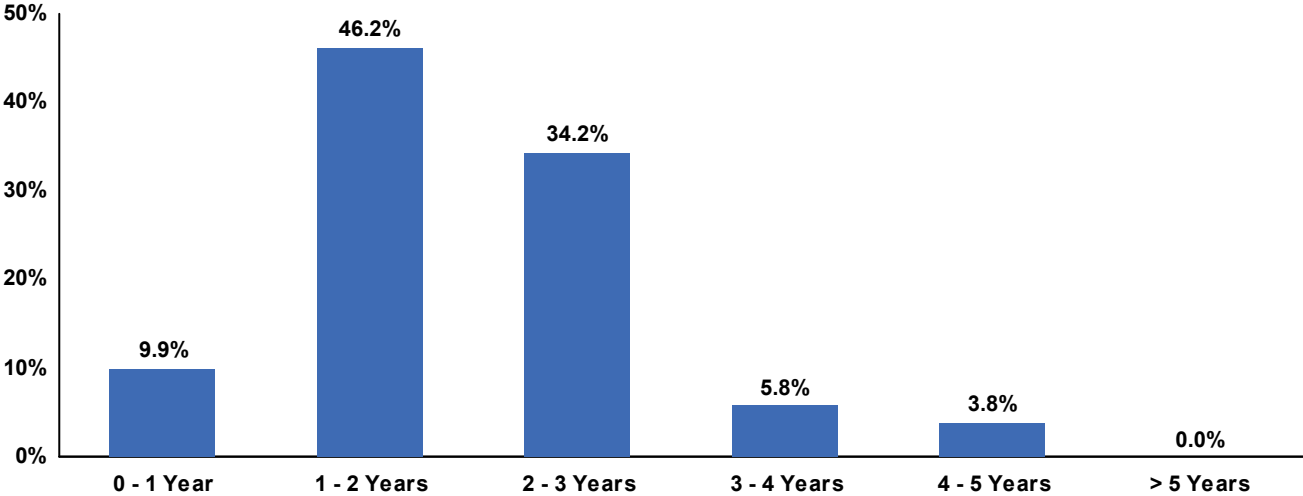
Credit Quality (S&P Ratings)



Sector Allocation



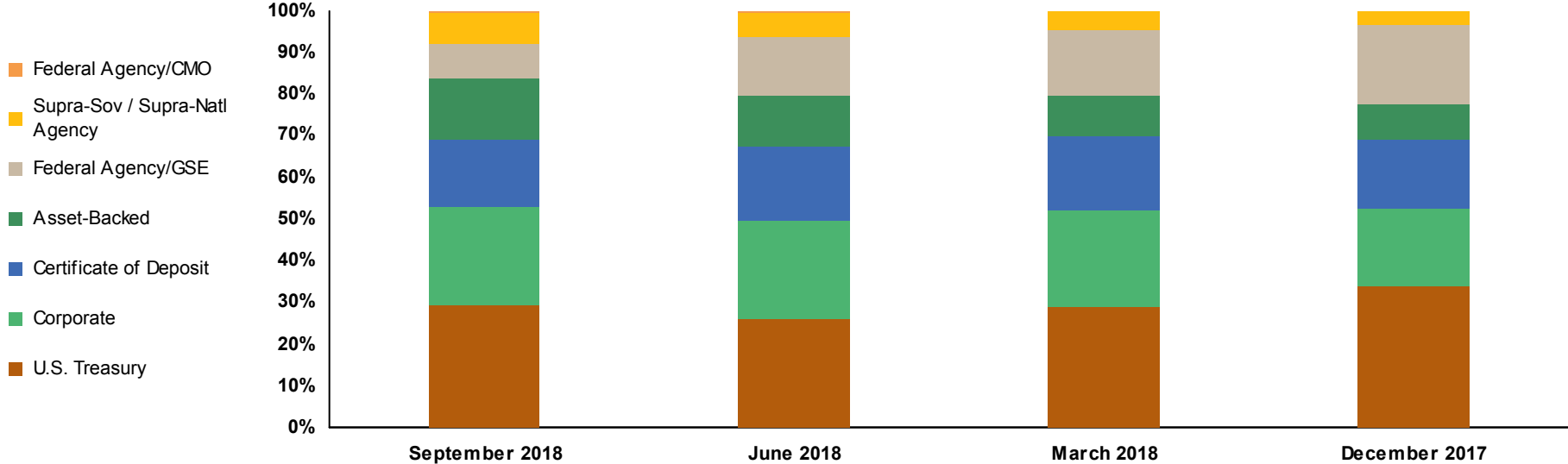
Maturity Distribution



*An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Sector Allocation

Sector	September 30, 2018		June 30, 2018		March 31, 2018		December 31, 2017	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	15.8	29.3%	14.0	26.1%	15.6	29.1%	18.3	34.0%
Corporate	12.7	23.5%	12.6	23.4%	12.2	22.8%	9.8	18.3%
Certificate of Deposit	8.6	16.0%	9.5	17.7%	9.6	17.9%	8.9	16.6%
Asset-Backed	8.0	14.9%	6.7	12.4%	5.2	9.8%	4.8	8.9%
Federal Agency/GSE	4.6	8.5%	7.5	14.0%	8.5	15.9%	10.0	18.7%
Supra-Sov / Supra-Natl Agency	3.8	7.1%	3.0	5.7%	2.4	4.5%	1.9	3.5%
Federal Agency/CMO	0.4	0.7%	0.4	0.7%	0.0	0.0%	0.0	0.0%
Total	\$54.0	100.0%	\$53.8	100.0%	\$53.6	100.0%	\$53.6	100.0%

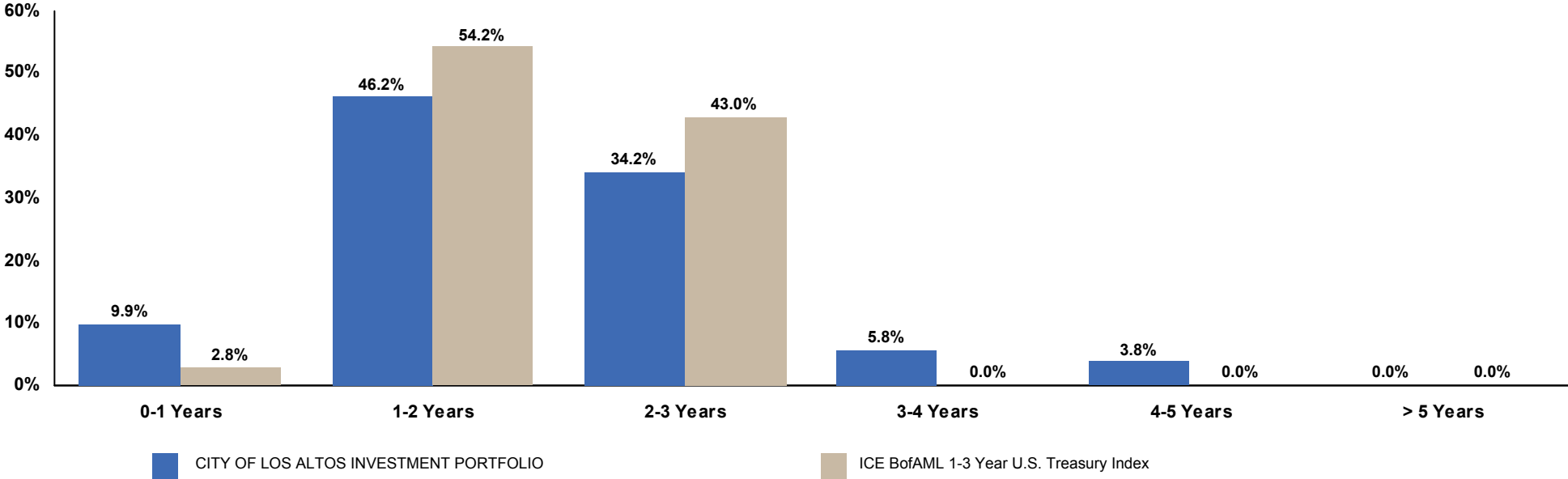


Detail may not add to total due to rounding.

Maturity Distribution

As of September 30, 2018

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF LOS ALTOS INVESTMENT PORTFOLIO	2.84%	2.03 yrs	9.9%	46.2%	34.2%	5.8%	3.8%	0.0%
ICE BofAML 1-3 Year U.S. Treasury Index	2.81%	1.94 yrs	2.8%	54.2%	43.0%	0.0%	0.0%	0.0%



Sector/Issuer Distribution

As of September 30, 2018

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
Asset-Backed			
ALLY AUTO RECEIVABLES TRUST	846,161	10.5%	1.6%
AMERICAN EXPRESS CO	492,583	6.1%	0.9%
BANK OF AMERICA CO	271,194	3.4%	0.5%
CARMAX AUTO OWNER TRUST	421,031	5.2%	0.8%
CITIGROUP INC	918,246	11.4%	1.7%
CNH EQUIPMENT TRUST	134,219	1.7%	0.2%
FORD CREDIT AUTO LEASE TRUST	229,987	2.9%	0.4%
FORD CREDIT AUTO OWNER TRUST	848,158	10.6%	1.6%
GM FINANCIAL AUTO LEASING TRUST	170,025	2.1%	0.3%
GM FINANCIAL SECURITIZED TERM	244,531	3.0%	0.5%
HONDA AUTO RECEIVABLES	684,005	8.5%	1.3%
HYUNDAI AUTO RECEIVABLES	518,648	6.5%	1.0%
JOHN DEERE OWNER TRUST	361,361	4.5%	0.7%
MERCEDES-BENZ AUTO RECEIVABLES	349,579	4.4%	0.6%
NISSAN AUTO RECEIVABLES	518,062	6.4%	1.0%
TOYOTA MOTOR CORP	1,028,050	12.8%	1.9%
Sector Total	8,035,839	100.0%	14.9%
Certificate of Deposit			
BANK OF MONTREAL	549,294	6.4%	1.0%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
BANK OF NOVA SCOTIA	552,656	6.4%	1.0%
CANADIAN IMPERIAL BANK OF COMMERCE	551,390	6.4%	1.0%
CREDIT AGRICOLE SA	551,056	6.4%	1.0%
CREDIT SUISSE GROUP	549,755	6.4%	1.0%
MITSUBISHI UFJ FINANCIAL GROUP INC	545,484	6.3%	1.0%
NORDEA BANK AB	547,728	6.3%	1.0%
ROYAL BANK OF CANADA	703,769	8.2%	1.3%
SKANDINAVISKA ENSKILDA BANKEN AB	1,068,034	12.4%	2.0%
SUMITOMO MITSUI FINANCIAL GROUP INC	972,502	11.3%	1.8%
SWEDBANK AB	539,175	6.2%	1.0%
UBS AG	551,317	6.4%	1.0%
WESTPAC BANKING CORP	951,148	11.0%	1.8%
Sector Total	8,633,309	100.0%	16.0%
Corporate			
3M COMPANY	134,771	1.1%	0.2%
AMERICAN EXPRESS CO	543,514	4.3%	1.0%
AMERICAN HONDA FINANCE	547,152	4.3%	1.0%
APPLE INC	540,445	4.3%	1.0%
BANK OF AMERICA CO	538,094	4.2%	1.0%
BB&T CORPORATION	543,599	4.3%	1.0%
CATERPILLAR INC	549,883	4.3%	1.0%
CHARLES SCHWAB	270,033	2.1%	0.5%
CHEVRON CORPORATION	320,952	2.5%	0.6%
CISCO SYSTEMS INC	197,388	1.6%	0.4%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
DEERE & COMPANY	696,468	5.5%	1.3%
GENERAL DYNAMICS CORP	329,203	2.6%	0.6%
GOLDMAN SACHS GROUP INC	545,068	4.3%	1.0%
HERSHEY COMPANY	204,922	1.6%	0.4%
HOME DEPOT INC	231,244	1.8%	0.4%
HONEYWELL INTERNATIONAL	148,531	1.2%	0.3%
HSBC HOLDINGS PLC	192,863	1.5%	0.4%
IBM CORP	470,041	3.7%	0.9%
INTEL CORPORATION	245,999	1.9%	0.5%
JOHNSON & JOHNSON	112,676	0.9%	0.2%
JP MORGAN CHASE & CO	543,986	4.3%	1.0%
MICROSOFT CORP	212,392	1.7%	0.4%
MORGAN STANLEY	537,381	4.2%	1.0%
NATIONAL RURAL UTILITIES CO FINANCE CORP	228,399	1.8%	0.4%
PACCAR FINANCIAL CORP	339,374	2.7%	0.6%
PFIZER INC	339,925	2.7%	0.6%
THE BANK OF NEW YORK MELLON CORPORATION	543,351	4.3%	1.0%
THE WALT DISNEY CORPORATION	579,320	4.6%	1.1%
TOYOTA MOTOR CORP	617,139	4.9%	1.1%
UNILEVER PLC	544,700	4.3%	1.0%
UNITED PARCEL SERVICE INC	311,606	2.5%	0.6%
VISA INC	147,404	1.2%	0.3%
WAL-MART STORES INC	380,762	3.0%	0.7%
Sector Total	12,688,583	100.0%	23.5%

Investment Strategy Outlook

- While the Fed's policy actions will depend on future economic data, we believe the current strength of the U.S. Economy, coupled with a strong labor market and rising inflation, will cause the Fed to continue raising rates at a pace of about one quarter-percent hike per quarter well into 2019. Therefore, we plan to maintain a defensive duration posture to mitigate a portion of interest rate risk relative to the benchmark.
- Over the past several quarters, we have maintained a positive view on corporates and other spread products (non-government investments); however, we are cognizant of potential headwinds that could surface towards year-end. While diversification away from U.S. Treasury securities has added significant value over the last several quarters, very narrow spreads across most investment-grade sectors give us reason to turn a bit more cautious.
- Federal agency securities remain expensive as most maturities offer less than five basis points of incremental yield relative to U.S. Treasuries. We will continue to reduce agency exposure where spreads are tight, seeking better relative value in other sectors. As an alternative, we may selectively add callable agency issues because, in our view, they provide better value in today's market in addition to favorable diversification and income benefits.
- In conjunction with tight spreads, we plan to be more selective and defensive with corporate positioning. Our preference continues to favor financials and select industrial issuers with stronger balance sheets and fair valuations, which we think can better withstand the current phase of the credit cycle
- Broad diversification across all investment-grade sectors remains a key component of our portfolio strategy; we will also continue to maintain a high credit quality for the PFM-managed portfolio.

Transactions & Account Holdings

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
7/3/18	7/6/18	975,000	912828WR7	US TREASURY NOTES	2.12%	6/30/21	960,408.12	2.66%	
7/11/18	7/18/18	245,000	36255JAD6	GMCAR 2018-3 A3	3.02%	5/16/23	244,942.87	3.03%	
7/17/18	7/25/18	350,000	58772RAD6	MBART 2018-1 A3	3.03%	1/15/23	349,986.56	3.03%	
7/18/18	7/25/18	260,000	14313FAD1	CARMAX AUTO OWNER TRUST	3.13%	6/15/23	259,964.56	3.36%	
7/18/18	7/25/18	800,000	459058GH0	INTL BANK OF RECONSTRUCTION AND DEV NOTE	2.75%	7/23/21	798,128.00	2.83%	
8/1/18	8/3/18	550,000	06370REU9	BANK OF MONTREAL CHICAGO CERT DEPOS	3.19%	8/3/20	550,000.00	3.23%	
8/21/18	8/23/18	275,000	17305EGK5	CCCIT 2018-A1 A1	2.49%	1/20/23	272,587.65	2.97%	
9/4/18	9/7/18	340,000	717081EM1	PFIZER INC CORP NOTE	3.00%	9/15/21	339,541.00	3.05%	
9/4/18	9/7/18	150,000	14913Q2N8	CATERPILLAR FINANCIAL SERVICES CORP CORP	3.15%	9/7/21	149,884.50	3.18%	
9/5/18	9/7/18	875,000	9128284W7	US TREASURY NOTES	2.75%	8/15/21	877,221.68	2.72%	
9/11/18	9/14/18	135,000	88579YBA8	3M COMPANY	3.00%	9/14/21	134,723.25	3.07%	
9/18/18	9/21/18	230,000	34531LAD2	FORDL 2018-B A3	3.19%	12/15/21	229,980.57	3.41%	
9/18/18	9/26/18	170,000	36256GAD1	GMALT 2018-3 A3	3.18%	6/20/21	169,986.57	3.19%	
Total BUY		5,355,000					5,337,355.33		
INTEREST									
7/1/18	7/25/18	380,000	3136B1XP4	FNA 2018-M5 A2	3.56%	9/25/21	1,127.33		
7/2/18	7/2/18	0	MONEY0002	MONEY MARKET FUND			106.44		
7/8/18	7/8/18	205,000	24422ETZ2	JOHN DEERE CAPITAL CORP NOTES	2.35%	1/8/21	2,408.75		
7/10/18	7/10/18	875,000	86958JHB8	SVENSKA HANDELSBANKEN NY CD	1.89%	1/10/19	8,314.69		
7/10/18	7/10/18	550,000	22532XHT8	CREDIT AGRICOLE CIB NY FLT CERT DEPOS	2.88%	4/10/20	3,903.15		
7/10/18	7/10/18	550,000	13606BVF0	CANADIAN IMP BK COMM NY FLT CERT DEPOS	2.81%	4/10/20	3,805.83		
7/15/18	7/15/18	130,000	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	288.17		
7/15/18	7/15/18	275,000	65478GAD2	NISSAN ABS 2017-B A3	1.75%	10/15/21	401.04		

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
7/15/18	7/15/18	177,790	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	242.98		
7/15/18	7/15/18	113,008	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	145.03		
7/15/18	7/15/18	375,000	02004VAC7	ALLYA 2018-2 A3	2.92%	11/15/22	912.50		
7/15/18	7/15/18	230,000	44932GAD7	HYUNDAI ABS 2017-B A3	1.77%	1/15/22	339.25		
7/15/18	7/15/18	145,000	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	219.92		
7/15/18	7/15/18	190,000	02582JHG8	AMERICAN EXPRESS ABS 2017-4 A	1.64%	12/15/21	259.67		
7/15/18	7/15/18	305,000	34531EAD8	FORD ABS 2017-A A3	1.67%	6/15/21	424.46		
7/15/18	7/15/18	450,000	89190BAD0	TOYOTA ABS 2017-B A3	1.76%	7/15/21	660.00		
7/15/18	7/15/18	100,000	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	141.67		
7/15/18	7/15/18	305,000	02582JHQ6	AMXCA 2018-1 A	2.67%	10/17/22	678.63		
7/15/18	7/15/18	275,000	34528FAD0	FORDO 2018-A A3	3.03%	11/15/22	694.38		
7/15/18	7/15/18	275,000	05522RCW6	BANK OF AMERICA ABS 2017-A1 A1	1.95%	8/15/22	446.88		
7/15/18	7/15/18	164,840	14314RAH5	CARMX 2017-4 A2A	1.80%	4/15/21	247.26		
7/15/18	7/15/18	120,000	89238MAD0	TOYOTA ABS 2017-A A3	1.73%	2/15/21	173.00		
7/15/18	7/15/18	465,000	89238TAD5	TAOT 2018-B A3	2.96%	9/15/22	1,147.00		
7/15/18	7/15/18	275,000	34532AAD5	FORDO 2017-C A3	2.01%	3/15/22	460.63		
7/15/18	7/15/18	90,000	44891KAD7	HART 2018-A A3	2.79%	7/15/22	209.25		
7/15/18	7/15/18	380,000	02007HAC5	ALLY ABS 2017-2 A3	1.78%	8/15/21	563.67		
7/15/18	7/15/18	235,000	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	517.00		
7/15/18	7/15/18	250,000	654747AD6	NISSAN ABS 2017-A A3	1.74%	8/15/21	362.50		
7/15/18	7/15/18	205,000	44931PAD8	HYUNDAI ABS 2017-A A3	1.76%	8/15/21	300.67		
7/15/18	7/15/18	90,000	47787XAC1	JOHN DEERE ABS 2017-A A3	1.78%	4/15/21	133.50		
7/17/18	7/17/18	450,000	17305EGA7	CITIBANK ABS 2017-A2 A2	1.74%	1/19/21	3,915.00		
7/18/18	7/18/18	140,000	43814PAC4	HAROT 2017-3 A3	1.79%	9/18/21	208.83		
7/18/18	7/18/18	95,000	43814UAG4	HAROT 2018-2 A3	3.01%	5/18/22	238.29		
7/19/18	7/19/18	400,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	1,750.00		
7/19/18	7/19/18	600,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	2,625.00		
7/20/18	7/20/18	230,000	02665WBT7	AMERICAN HONDA FINANCE CORP NOTES	1.95%	7/20/20	2,242.50		
7/21/18	7/21/18	220,000	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	315.33		
7/23/18	7/23/18	500,000	46625HKA7	JPMORGAN CHASE & CO (CALLABLE)	2.25%	1/23/20	5,625.00		

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
7/23/18	7/23/18	200,000	38141GWP5	GOLDMAN SACHS GROUP INC CORP NOTE	1.95%	7/23/19	1,950.00		
7/30/18	7/30/18	1,075,000	3135G0T60	FNMA NOTES	1.50%	7/30/20	8,062.50		
7/31/18	7/31/18	950,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	7,718.75		
7/31/18	7/31/18	1,110,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	6,937.50		
7/31/18	7/31/18	1,500,000	912828N89	US TREASURY NOTES	1.37%	1/31/21	10,312.50		
8/1/18	8/1/18	0	MONEY0002	MONEY MARKET FUND			61.01		
8/1/18	8/1/18	100,000	05531FAZ6	BRANCH BANKING & TRUST (CALLABLE) NOTES	2.15%	2/1/21	1,075.00		
8/1/18	8/25/18	380,000	3136B1XP4	FNA 2018-M5 A2	3.56%	9/25/21	1,165.77		
8/2/18	8/2/18	665,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	2,909.38		
8/2/18	8/2/18	1,075,000	83050FXT3	SKANDINAV ENSKILDA BANKEN NY CD	1.84%	8/2/19	9,944.94		
8/6/18	8/6/18	215,000	594918BV5	MICROSOFT CORP NOTES	1.85%	2/6/20	1,988.75		
8/7/18	8/7/18	965,000	96121T4A3	WESTPAC BANKING CORP NY CD	2.05%	8/3/20	9,891.25		
8/15/18	8/15/18	380,000	02007HAC5	ALLY ABS 2017-2 A3	1.78%	8/15/21	563.67		
8/15/18	8/15/18	190,000	02582JHG8	AMERICAN EXPRESS ABS 2017-4 A	1.64%	12/15/21	259.67		
8/15/18	8/15/18	235,000	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	517.00		
8/15/18	8/15/18	230,000	44932GAD7	HYUNDAI ABS 2017-B A3	1.77%	1/15/22	339.25		
8/15/18	8/15/18	375,000	02004VAC7	ALLYA 2018-2 A3	2.92%	11/15/22	912.50		
8/15/18	8/15/18	90,000	44891KAD7	HART 2018-A A3	2.79%	7/15/22	209.25		
8/15/18	8/15/18	205,000	44931PAD8	HYUNDAI ABS 2017-A A3	1.76%	8/15/21	300.67		
8/15/18	8/15/18	275,000	34532AAD5	FORDO 2017-C A3	2.01%	3/15/22	460.63		
8/15/18	8/15/18	90,000	47787XAC1	JOHN DEERE ABS 2017-A A3	1.78%	4/15/21	133.50		
8/15/18	8/15/18	130,000	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	288.17		
8/15/18	8/15/18	250,000	654747AD6	NISSAN ABS 2017-A A3	1.74%	8/15/21	362.50		
8/15/18	8/15/18	275,000	34528FAD0	FORDO 2018-A A3	3.03%	11/15/22	694.38		
8/15/18	8/15/18	275,000	05522RCW6	BANK OF AMERICA ABS 2017-A1 A1	1.95%	8/15/22	446.88		
8/15/18	8/15/18	275,000	65478GAD2	NISSAN ABS 2017-B A3	1.75%	10/15/21	401.04		
8/15/18	8/15/18	120,000	89238MAD0	TOYOTA ABS 2017-A A3	1.73%	2/15/21	173.00		
8/15/18	8/15/18	305,000	02582JHQ6	AMXCA 2018-1 A	2.67%	10/17/22	678.63		
8/15/18	8/15/18	305,000	34531EAD8	FORD ABS 2017-A A3	1.67%	6/15/21	424.46		
8/15/18	8/15/18	145,000	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	219.92		

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
8/15/18	8/15/18	100,000	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	141.67		
8/15/18	8/15/18	152,102	14314RAH5	CARMX 2017-4 A2A	1.80%	4/15/21	228.15		
8/15/18	8/15/18	350,000	58772RAD6	MBART 2018-1 A3	3.03%	1/15/23	589.17		
8/15/18	8/15/18	260,000	14313FAD1	CARMAX AUTO OWNER TRUST	3.13%	6/15/23	452.11		
8/15/18	8/15/18	166,779	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	227.93		
8/15/18	8/15/18	86,957	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	111.60		
8/15/18	8/15/18	450,000	89190BAD0	TOYOTA ABS 2017-B A3	1.76%	7/15/21	660.00		
8/15/18	8/15/18	465,000	89238TAD5	TAOT 2018-B A3	2.96%	9/15/22	1,147.00		
8/16/18	8/16/18	245,000	36255JAD6	GMCAR 2018-3 A3	3.02%	5/16/23	575.48		
8/18/18	8/18/18	95,000	43814UAG4	HAROT 2018-2 A3	3.01%	5/18/22	238.29		
8/18/18	8/18/18	140,000	43814PAC4	HAROT 2017-3 A3	1.79%	9/18/21	208.83		
8/20/18	8/20/18	550,000	65590ASN7	NORDEA BANK AB NY CD	2.72%	2/20/20	7,396.89		
8/21/18	8/21/18	220,000	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	315.33		
8/24/18	8/24/18	475,000	06406HCZ0	BNY MELLON (CALLABLE) CORP NOTE	2.15%	2/24/20	5,106.25		
8/28/18	8/28/18	1,175,000	3135G0P49	FNMA NOTES	1.00%	8/28/19	5,875.00		
8/28/18	8/28/18	600,000	3135G0T29	FNMA NOTES	1.50%	2/28/20	4,500.00		
8/31/18	8/31/18	50,000	912828J50	US TREASURY NOTES	1.37%	2/29/20	343.75		
8/31/18	8/31/18	275,000	912828J50	US TREASURY NOTES	1.37%	2/29/20	1,890.63		
9/1/18	9/1/18	190,000	69371RN93	PACCAR FINANCIAL CORP NOTES	2.80%	3/1/21	2,719.11		
9/1/18	9/1/18	50,000	46625HQJ2	JP MORGAN CHASE & CO CORP NT (CALLABLE)	2.55%	3/1/21	637.50		
9/1/18	9/25/18	369,142	3136B1XP4	FNA 2018-M5 A2	3.56%	9/25/21	1,114.81		
9/3/18	9/3/18	325,000	166764BP4	CHEVRON CORP NOTES	1.99%	3/3/20	3,235.38		
9/4/18	9/4/18	0	MONEY0002	MONEY MARKET FUND			233.53		
9/4/18	9/4/18	410,000	14913Q2A6	CATERPILLAR FINL SERVICE NOTE	1.85%	9/4/20	3,792.50		
9/4/18	9/4/18	550,000	90275DHG8	UBS AG STAMFORD CT LT CD	2.90%	3/2/20	8,063.61		
9/4/18	9/4/18	275,000	459058GA5	INTL BANK OF RECON AND DEV GLOBAL NOTES	1.62%	9/4/20	2,235.75		
9/4/18	9/4/18	90,000	25468PDP8	WALT DISNEY COMPANY CORP NOTES	1.95%	3/4/20	877.50		
9/5/18	9/5/18	195,000	40428HPR7	HSBC USA INC NOTES	2.35%	3/5/20	2,291.25		
9/6/18	9/6/18	475,000	44932HAA1	IBM CREDIT CORP NOTE	1.62%	9/6/19	3,859.38		
9/9/18	9/9/18	550,000	45950VLQ7	INTERNATIONAL FINANCE CORPORATION NOTE	2.63%	3/9/21	6,963.00		

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
9/12/18	9/12/18	550,000	45905UP32	INTL BANK OF RECONSTRUCTION AND DEV NOTE	1.56%	9/12/20	4,295.50		
9/12/18	9/12/18	400,000	24422EUD9	JOHN DEERE CAPITAL CORP NOTES	2.87%	3/12/21	5,718.06		
9/14/18	9/14/18	100,000	0258M0DX4	AMERICAN EXP (CALLABLE) CREDIT CORP NOTE	2.60%	9/14/20	1,300.00		
9/15/18	9/15/18	275,000	05522RCW6	BANK OF AMERICA ABS 2017-A1 A1	1.95%	8/15/22	446.88		
9/15/18	9/15/18	275,000	34532AAD5	FORDO 2017-C A3	2.01%	3/15/22	460.63		
9/15/18	9/15/18	130,000	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	288.17		
9/15/18	9/15/18	380,000	02007HAC5	ALLY ABS 2017-2 A3	1.78%	8/15/21	563.67		
9/15/18	9/15/18	145,000	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	219.92		
9/15/18	9/15/18	350,000	58772RAD6	MBART 2018-1 A3	3.03%	1/15/23	883.75		
9/15/18	9/15/18	235,000	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	517.00		
9/15/18	9/15/18	305,000	34531EAD8	FORD ABS 2017-A A3	1.67%	6/15/21	424.46		
9/15/18	9/15/18	153,561	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	209.87		
9/15/18	9/15/18	61,344	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	78.72		
9/15/18	9/15/18	275,000	65478GAD2	NISSAN ABS 2017-B A3	1.75%	10/15/21	401.04		
9/15/18	9/15/18	120,000	89238MAD0	TOYOTA ABS 2017-A A3	1.73%	2/15/21	173.00		
9/15/18	9/15/18	205,000	44931PAD8	HYUNDAI ABS 2017-A A3	1.76%	8/15/21	300.67		
9/15/18	9/15/18	230,000	44932GAD7	HYUNDAI ABS 2017-B A3	1.77%	1/15/22	339.25		
9/15/18	9/15/18	190,000	02582JHG8	AMERICAN EXPRESS ABS 2017-4 A	1.64%	12/15/21	259.67		
9/15/18	9/15/18	275,000	34528FAD0	FORDO 2018-A A3	3.03%	11/15/22	694.38		
9/15/18	9/15/18	230,000	63743HER9	NATIONAL RURAL UTIL COOP	2.90%	3/15/21	3,687.03		
9/15/18	9/15/18	100,000	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	141.67		
9/15/18	9/15/18	305,000	02582JHQ6	AMXCA 2018-1 A	2.67%	10/17/22	678.63		
9/15/18	9/15/18	375,000	02004VAC7	ALLYA 2018-2 A3	2.92%	11/15/22	912.50		
9/15/18	9/15/18	90,000	44891KAD7	HART 2018-A A3	2.79%	7/15/22	209.25		
9/15/18	9/15/18	90,000	47787XAC1	JOHN DEERE ABS 2017-A A3	1.78%	4/15/21	133.50		
9/15/18	9/15/18	260,000	14313FAD1	CARMAX AUTO OWNER TRUST	3.13%	6/15/23	678.17		
9/15/18	9/15/18	139,533	14314RAH5	CARMX 2017-4 A2A	1.80%	4/15/21	209.30		
9/15/18	9/15/18	250,000	654747AD6	NISSAN ABS 2017-A A3	1.74%	8/15/21	362.50		
9/15/18	9/15/18	450,000	89190BAD0	TOYOTA ABS 2017-B A3	1.76%	7/15/21	660.00		
9/15/18	9/15/18	465,000	89238TAD5	TAOT 2018-B A3	2.96%	9/15/22	1,147.00		

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
9/16/18	9/16/18	245,000	36255JAD6	GMCAR 2018-3 A3	3.02%	5/16/23	616.58		
9/18/18	9/18/18	140,000	43814PAC4	HAROT 2017-3 A3	1.79%	9/18/21	208.83		
9/18/18	9/18/18	95,000	43814UAG4	HAROT 2018-2 A3	3.01%	5/18/22	238.29		
9/20/18	9/20/18	200,000	17305EGH2	CCCIT 2017-A9 A9	1.80%	9/20/21	1,800.00		
9/20/18	9/20/18	200,000	17275RBG6	CISCO SYSTEMS INC CORP NOTES	1.40%	9/20/19	1,400.00		
9/21/18	9/21/18	220,000	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	315.33		
9/22/18	9/22/18	550,000	904764AZ0	UNILEVER CAPITAL CORP NOTES	2.75%	3/22/21	7,562.50		
9/25/18	9/25/18	550,000	06539RGM3	MUFG BANK LTD/NY CERT DEPOS	2.07%	9/25/19	11,479.88		
9/26/18	9/26/18	825,000	3130A9EP2	FHLB GLOBAL NOTES	1.00%	9/26/19	4,125.00		
Total INTEREST		42,970,057					236,129.67		
PAYDOWNS									
7/15/18	7/15/18	26,051	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	26,051.01		0.00
7/15/18	7/15/18	11,012	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	11,011.50		0.00
7/15/18	7/15/18	12,738	14314RAH5	CARMX 2017-4 A2A	1.80%	4/15/21	12,737.94		0.00
8/1/18	8/25/18	10,858	3136B1XP4	FNA 2018-M5 A2	3.56%	9/25/21	10,857.59		0.00
8/15/18	8/15/18	25,614	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	25,613.83		0.00
8/15/18	8/15/18	13,218	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	13,218.39		0.00
8/15/18	8/15/18	12,569	14314RAH5	CARMX 2017-4 A2A	1.80%	4/15/21	12,569.46		0.00
9/1/18	9/25/18	10,384	3136B1XP4	FNA 2018-M5 A2	3.56%	9/25/21	10,383.98		0.00
9/15/18	9/15/18	26,042	14314JAB6	CARMAX ABS 2017-1 A2	1.54%	2/15/20	26,042.26		0.00
9/15/18	9/15/18	4,465	02007PAC7	ALLY ABS 2017-1 A3	1.70%	6/15/21	4,464.64		0.00
9/15/18	9/15/18	19,095	12636WAB2	CNH 2017-A A2	1.64%	7/15/20	19,095.34		0.00
9/15/18	9/15/18	13,209	14314RAH5	CARMX 2017-4 A2A	1.80%	4/15/21	13,209.32		0.00
9/21/18	9/21/18	302	43814TAC6	HONDA ABS 2017-1 A3	1.72%	7/21/21	302.04		0.00
Total PAYDOWNS		185,557					185,557.30		0.00

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
SELL									
7/3/18	7/6/18	350,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	345,950.16	2.41%	(5,174.97)
7/3/18	7/6/18	575,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	568,386.78	2.40%	(6,805.71)
7/11/18	7/16/18	175,000	931142DY6	WAL-MART STORES INC CORP NOTE	1.75%	10/9/19	173,978.92	2.63%	(1,843.81)
7/18/18	7/25/18	335,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	331,015.13	2.48%	(5,200.50)
7/18/18	7/25/18	400,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	394,034.33	2.43%	(5,361.00)
7/18/18	7/25/18	600,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	591,051.50	2.43%	(8,555.05)
7/19/18	7/25/18	80,000	931142DY6	WAL-MART STORES INC CORP NOTE	1.75%	10/9/19	79,563.42	2.65%	(847.71)
8/1/18	8/3/18	600,000	06427KRC3	BANK OF MONTREAL CHICAGO CERT DEPOS	1.88%	2/7/19	603,627.55	2.43%	(1,887.12)
8/21/18	8/23/18	275,000	30231GAG7	EXXON MOBIL (CALLABLE) CORP NOTE	1.91%	3/6/20	274,524.13	2.62%	(3,741.71)
9/5/18	9/7/18	875,000	86958JHB8	SVENSKA HANDELSBANKEN NY CD	1.89%	1/10/19	876,271.93	2.00%	(1,438.38)
9/6/18	9/7/18	275,000	3135G0P49	FNMA NOTES	1.00%	8/28/19	271,152.75	2.49%	(3,774.56)
9/12/18	9/14/18	125,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	123,322.60	2.54%	(1,742.57)
9/18/18	9/21/18	325,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	320,638.82	2.60%	(4,589.50)
Total SELL		4,990,000					4,953,518.02		-50,962.59

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 10/31/2014 1.500% 10/31/2019	912828F62	125,000.00	AA+	Aaa	3/2/2017	3/2/2017	124,916.99	1.53	784.65	124,966.21	123,422.88
US TREASURY NOTES DTD 12/01/2014 1.500% 11/30/2019	912828G61	2,360,000.00	AA+	Aaa	12/1/2016	12/5/2016	2,363,687.50	1.45	11,896.72	2,361,456.33	2,327,642.04
US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	1,110,000.00	AA+	Aaa	1/3/2017	1/5/2017	1,101,154.69	1.52	2,337.64	1,106,116.60	1,088,493.75
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020	912828J50	275,000.00	AA+	Aaa	8/31/2017	9/1/2017	274,989.26	1.38	323.81	274,993.89	269,757.95
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020	912828J50	50,000.00	AA+	Aaa	2/1/2017	2/3/2017	49,697.27	1.58	58.87	49,858.77	49,046.90
US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	2,000,000.00	AA+	Aaa	7/13/2017	7/13/2017	1,992,109.38	1.52	11,508.15	1,995,508.24	1,956,640.00
US TREASURY NOTES DTD 06/01/2015 1.500% 05/31/2020	912828XE5	725,000.00	AA+	Aaa	10/4/2017	10/5/2017	723,442.38	1.58	3,654.71	724,018.61	709,819.95
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	2,200,000.00	AA+	Aaa	6/26/2017	6/28/2017	2,207,906.25	1.50	9,034.65	2,204,638.79	2,155,828.40
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	950,000.00	AA+	Aaa	7/5/2017	7/7/2017	950,593.75	1.60	2,600.88	950,360.20	929,886.60
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	565,000.00	AA+	Aaa	11/1/2017	11/3/2017	562,550.19	1.77	3,085.50	563,263.75	550,587.98
US TREASURY NOTES DTD 12/31/2015 1.750% 12/31/2020	912828N48	800,000.00	AA+	Aaa	12/1/2017	12/5/2017	796,187.50	1.91	3,538.04	797,191.76	781,000.00
US TREASURY NOTES DTD 01/31/2016 1.375% 01/31/2021	912828N89	1,500,000.00	AA+	Aaa	1/2/2018	1/4/2018	1,470,000.00	2.05	3,474.86	1,477,080.69	1,450,020.00
US TREASURY NOTES DTD 06/02/2014 2.000% 05/31/2021	912828WN6	1,650,000.00	AA+	Aaa	6/4/2018	6/6/2018	1,620,673.83	2.62	11,090.16	1,623,716.36	1,613,132.40
US TREASURY NOTES DTD 06/30/2014 2.125% 06/30/2021	912828WR7	975,000.00	AA+	Aaa	7/3/2018	7/6/2018	960,070.31	2.66	5,235.99	961,215.40	955,690.13
US TREASURY NOTES DTD 08/15/2018 2.750% 08/15/2021	9128284W7	875,000.00	AA+	Aaa	9/5/2018	9/7/2018	875,717.77	2.72	3,073.20	875,702.00	871,752.88

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		16,160,000.00					16,073,697.07	1.84	71,697.83	16,090,087.60	15,832,721.86
Supra-National Agency Bond / Note											
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 10/27/2016 1.125% 11/27/2019	459058FS7	550,000.00	AAA	Aaa	8/28/2017	8/30/2017	545,308.50	1.51	2,131.25	547,564.14	539,507.65
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 08/29/2017 1.625% 09/04/2020	459058GA5	275,000.00	AAA	Aaa	8/22/2017	8/29/2017	274,942.25	1.63	335.16	274,962.64	268,525.95
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 09/19/2017 1.561% 09/12/2020	45905UP32	550,000.00	AAA	Aaa	9/12/2017	9/19/2017	548,680.00	1.64	453.12	549,130.01	535,553.15
INTER-AMERICAN DEVELOPMENT BANK DTD 11/08/2013 2.125% 11/09/2020	4581X0CD8	545,000.00	AAA	Aaa	10/2/2017	10/10/2017	550,051.66	1.81	4,568.16	548,484.93	536,075.63
INTERNATIONAL FINANCE CORPORATION NOTE DTD 03/16/2018 2.635% 03/09/2021	45950VLQ7	550,000.00	AAA	Aaa	3/9/2018	3/16/2018	549,587.50	2.66	885.65	549,658.66	545,028.00
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 04/19/2018 2.625% 04/19/2021	4581X0DB1	615,000.00	AAA	Aaa	4/12/2018	4/19/2018	613,647.00	2.70	7,264.69	613,843.20	609,412.73
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 07/25/2018 2.750% 07/23/2021	459058GH0	800,000.00	AAA	Aaa	7/18/2018	7/25/2018	798,128.00	2.83	4,033.33	798,238.36	795,060.80
Security Type Sub-Total		3,885,000.00					3,880,344.91	2.21	19,671.36	3,881,881.94	3,829,163.91
Federal Agency Collateralized Mortgage Obligation											
FNA 2018-M5 A2 DTD 04/01/2018 3.560% 09/25/2021	3136B1XP4	358,758.43	AA+	Aaa	4/11/2018	4/30/2018	365,894.49	2.27	1,064.32	365,112.16	362,142.60
Security Type Sub-Total		358,758.43					365,894.49	2.27	1,064.32	365,112.16	362,142.60

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	215,000.00	AA+	Aaa	7/29/2016	8/2/2016	214,638.80	0.93	308.32	214,898.35	211,982.91
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	900,000.00	AA+	Aaa	8/31/2016	9/2/2016	898,596.00	1.05	825.00	899,568.67	887,028.30
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	825,000.00	AA+	Aaa	10/3/2016	10/5/2016	824,711.25	1.01	114.58	824,903.49	811,635.00
FEDERAL HOME LOAN BANK NOTES DTD 10/13/2017 1.500% 10/21/2019	3130ACM92	1,075,000.00	AA+	Aaa	10/12/2017	10/13/2017	1,073,097.25	1.59	7,166.67	1,073,998.68	1,062,045.18
FNMA NOTES DTD 02/28/2017 1.500% 02/28/2020	3135G0T29	600,000.00	AA+	Aaa	2/24/2017	2/28/2017	599,616.00	1.52	825.00	599,817.59	589,738.80
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	1,075,000.00	AA+	Aaa	8/31/2017	9/1/2017	1,075,279.50	1.49	2,732.29	1,075,179.48	1,050,533.00
Security Type Sub-Total		4,690,000.00					4,685,938.80	1.32	11,971.86	4,688,366.26	4,612,963.19
Corporate Note											
GOLDMAN SACHS GROUP INC CORP NOTE DTD 07/24/2017 1.950% 07/23/2019	38141GWP5	200,000.00	BBB+	A3	7/19/2017	7/24/2017	199,976.00	1.96	736.67	199,990.13	198,601.00
IBM CREDIT CORP NOTE DTD 09/08/2017 1.625% 09/06/2019	44932HAA1	475,000.00	A+	A1	9/5/2017	9/8/2017	474,639.00	1.66	536.02	474,830.05	470,041.48
CISCO SYSTEMS INC CORP NOTES DTD 09/20/2016 1.400% 09/20/2019	17275RBG6	200,000.00	AA-	A1	9/20/2016	9/23/2016	200,216.00	1.36	85.56	200,070.98	197,387.80
AMERICAN EXPRESS CREDIT (CALLABLE) CORP DTD 10/31/2016 1.700% 10/30/2019	0258M0EC9	450,000.00	A-	A2	1/31/2017	2/3/2017	446,580.00	1.99	3,208.75	448,632.24	444,420.00
HONEYWELL INTERNATIONAL CORP NOTES DTD 10/30/2017 1.800% 10/30/2019	438516BQ8	150,000.00	A	A2	10/23/2017	10/30/2017	149,883.00	1.84	1,132.50	149,936.27	148,531.20
AMERICAN HONDA FINANCE DTD 11/16/2017 2.000% 11/13/2019	02665WBZ3	325,000.00	A+	A2	11/13/2017	11/16/2017	324,818.00	2.03	2,491.67	324,896.95	321,752.28

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
JPMORGAN CHASE & CO (CALLABLE) DTD 01/23/2015 2.250% 01/23/2020	46625HKA7	500,000.00	A-	A3	6/15/2017	6/20/2017	501,885.00	2.10	2,125.00	500,938.76	494,883.50
MICROSOFT CORP NOTES DTD 02/06/2017 1.850% 02/06/2020	594918BV5	215,000.00	AAA	Aaa	1/30/2017	2/6/2017	214,855.95	1.87	607.67	214,934.34	212,392.05
BNY MELLON (CALLABLE) CORP NOTE DTD 02/24/2015 2.150% 02/24/2020	06406HCZ0	475,000.00	A	A1	3/29/2017	3/30/2017	476,695.75	2.02	1,049.62	475,806.53	469,709.45
CHEVRON CORP NOTES DTD 03/03/2017 1.991% 03/03/2020	166764BP4	325,000.00	AA-	Aa2	2/28/2017	3/3/2017	325,000.00	1.99	503.28	325,000.00	320,951.80
WALT DISNEY COMPANY CORP NOTES DTD 03/06/2017 1.950% 03/04/2020	25468PDP8	90,000.00	A+	A2	3/1/2017	3/6/2017	89,976.60	1.96	131.63	89,988.67	88,775.91
HSBC USA INC NOTES DTD 03/05/2015 2.350% 03/05/2020	40428HPR7	195,000.00	A	A2	3/27/2018	3/29/2018	192,515.70	3.03	330.96	193,153.51	192,862.80
TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	150,000.00	AA-	Aa3	4/12/2017	4/17/2017	150,045.00	1.94	1,332.50	150,023.49	147,734.70
TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	325,000.00	AA-	Aa3	4/11/2017	4/17/2017	324,850.50	1.97	2,887.08	324,921.95	320,091.85
GOLDMAN SACHS GROUP INC CORP NOTES DTD 01/23/2015 2.600% 04/23/2020	38148LAA4	350,000.00	BBB+	A3	11/1/2017	11/3/2017	352,639.00	2.28	3,993.89	351,684.17	346,466.75
GENERAL DYNAMICS CORP DTD 05/11/2018 2.875% 05/11/2020	369550BA5	330,000.00	A+	A2	5/8/2018	5/11/2018	328,831.80	3.06	3,689.58	329,053.80	329,202.72
APPLE INC BONDS DTD 05/11/2017 1.800% 05/11/2020	037833CS7	220,000.00	AA+	Aa1	5/4/2017	5/11/2017	219,775.60	1.84	1,540.00	219,877.99	216,317.64
INTEL CORP NOTES DTD 05/11/2017 1.850% 05/11/2020	458140AZ3	250,000.00	A+	A1	5/8/2017	5/11/2017	249,905.00	1.86	1,798.61	249,948.34	245,998.50
WALT DISNEY COMPANY CORP NOTES DTD 06/06/2017 1.800% 06/05/2020	25468PDU7	500,000.00	A+	A2	6/1/2017	6/6/2017	499,420.00	1.84	2,900.00	499,671.45	490,544.50

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
HOME DEPOT INC CORP NOTES DTD 06/05/2017 1.800% 06/05/2020	437076BQ4	235,000.00	A	A2	5/24/2017	6/5/2017	234,863.70	1.82	1,363.00	234,922.88	231,243.53
JOHN DEERE CAPITAL CORP NOTES DTD 06/22/2017 1.950% 06/22/2020	24422ETS8	100,000.00	A	A2	6/19/2017	6/22/2017	99,939.00	1.97	536.25	99,964.50	98,225.10
BRANCH BANKING & TRUST (CALLABLE) CORP DTD 06/29/2015 2.625% 06/29/2020	05531FAU7	450,000.00	A-	A2	3/17/2017	3/22/2017	454,144.50	2.33	3,018.75	452,204.59	445,997.25
AMERICAN HONDA FINANCE CORP NOTES DTD 07/20/2017 1.950% 07/20/2020	02665WBT7	230,000.00	A+	A2	7/17/2017	7/20/2017	229,767.70	1.98	884.54	229,858.80	225,399.54
CATERPILLAR FINL SERVICE NOTE DTD 09/07/2017 1.850% 09/04/2020	14913Q2A6	410,000.00	A	A3	9/5/2017	9/7/2017	409,655.60	1.88	568.88	409,776.04	400,059.14
AMERICAN EXP (CALLABLE) CREDIT CORP NOTE DTD 09/14/2015 2.600% 09/14/2020	0258M0DX4	100,000.00	A-	A2	3/5/2018	3/7/2018	99,144.00	2.95	122.78	99,331.44	99,093.50
JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	115,000.00	AAA	Aaa	11/8/2017	11/10/2017	114,876.95	1.99	878.31	114,912.78	112,675.74
APPLE INC DTD 11/13/2017 2.000% 11/13/2020	037833DJ6	330,000.00	AA+	Aa1	11/6/2017	11/13/2017	329,722.80	2.03	2,530.00	329,802.73	324,126.99
PACCAR FINANCIAL CORP NOTES DTD 11/13/2017 2.050% 11/13/2020	69371RN85	155,000.00	A+	A1	11/6/2017	11/13/2017	154,986.05	2.05	1,218.04	154,990.07	151,348.20
VISA INC (CALLABLE) CORP NOTES DTD 12/14/2015 2.200% 12/14/2020	92826CAB8	150,000.00	A+	A1	8/25/2017	8/30/2017	151,650.00	1.85	980.83	151,103.09	147,404.40
JOHN DEERE CAPITAL CORP NOTES DTD 01/08/2018 2.350% 01/08/2021	24422ETZ2	205,000.00	A	A2	1/3/2018	1/8/2018	204,893.40	2.37	1,110.70	204,918.69	201,381.55
BRANCH BANKING & TRUST (CALLABLE) NOTES DTD 10/26/2017 2.150% 02/01/2021	05531FAZ6	100,000.00	A-	A2	11/16/2017	11/20/2017	99,480.00	2.32	358.33	99,616.24	97,601.70
JP MORGAN CHASE & CO CORP NT (CALLABLE) DTD 03/01/2016 2.550% 03/01/2021	46625HQJ2	50,000.00	A-	A3	3/5/2018	3/7/2018	49,349.50	3.01	106.25	49,468.88	49,102.70

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
PACCAR FINANCIAL CORP NOTES DTD 02/27/2018 2.800% 03/01/2021	69371RN93	190,000.00	A+	A1	2/22/2018	2/27/2018	189,906.90	2.82	443.33	189,925.02	188,025.71
JOHN DEERE CAPITAL CORP NOTES DTD 03/13/2018 2.875% 03/12/2021	24422EUD9	400,000.00	A	A2	3/8/2018	3/13/2018	399,728.00	2.90	606.94	399,776.02	396,861.60
NATIONAL RURAL UTIL COOP DTD 02/26/2018 2.900% 03/15/2021	63743HER9	230,000.00	A	A2	2/21/2018	2/26/2018	229,744.70	2.94	296.44	229,795.17	228,399.20
UNILEVER CAPITAL CORP NOTES DTD 03/22/2018 2.750% 03/22/2021	904764AZ0	550,000.00	A+	A1	3/19/2018	3/22/2018	547,189.50	2.93	378.13	547,663.96	544,700.20
UNITED PARCEL SERVICE CORPORATE BOND DTD 11/14/2017 2.050% 04/01/2021	911312BP0	320,000.00	A+	A1	11/9/2017	11/14/2017	319,494.40	2.10	3,280.00	319,620.37	311,605.76
TOYOTA MOTOR CREDIT CORP NOTES DTD 04/13/2018 2.950% 04/13/2021	89236TEU5	150,000.00	AA-	Aa3	4/10/2018	4/13/2018	149,940.00	2.96	2,065.00	149,948.99	149,312.55
BANK OF NEW YORK MELLON CORP (CALLABLE) DTD 02/19/2016 2.500% 04/15/2021	06406FAA1	75,000.00	A	A1	2/14/2018	2/16/2018	74,024.25	2.93	864.58	74,211.24	73,641.08
MORGAN STANLEY CORP NOTES DTD 04/21/2016 2.500% 04/21/2021	61746BEA0	550,000.00	BBB+	A3	2/13/2018	2/15/2018	540,760.00	3.06	6,111.11	542,523.12	537,380.80
HERSHEY COMPANY CORP NOTES DTD 05/10/2018 3.100% 05/15/2021	427866BA5	205,000.00	A	A1	5/3/2018	5/10/2018	204,858.55	3.12	2,489.04	204,876.67	204,921.90
CHARLES SCHWAB CORP NOTES DTD 05/22/2018 3.250% 05/21/2021	808513AW5	270,000.00	A	A2	5/17/2018	5/22/2018	269,991.90	3.25	3,144.38	269,992.71	270,033.48
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 3.125% 06/23/2021	931142EJ8	380,000.00	AA	Aa2	6/20/2018	6/27/2018	379,981.00	3.13	3,100.69	379,982.15	380,762.28
CATERPILLAR FINANCIAL SERVICES CORP CORP DTD 09/07/2018 3.150% 09/07/2021	14913Q2N8	150,000.00	A	A3	9/4/2018	9/7/2018	149,884.50	3.18	315.00	149,886.97	149,823.45
3M COMPANY DTD 09/14/2018 3.000% 09/14/2021	88579YBA8	135,000.00	AA-	A1	9/11/2018	9/14/2018	134,723.25	3.07	191.25	134,727.44	134,770.64

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
PFIZER INC CORP NOTE DTD 09/07/2018 3.000% 09/15/2021	717081EM1	340,000.00	AA	A1	9/4/2018	9/7/2018	339,541.00	3.05	680.00	339,550.93	339,924.52
BANK OF AMERICA CORP (CALLABLE) DTD 09/18/2017 2.328% 10/01/2021	06051GGS2	550,000.00	A-	A3	11/27/2017	11/29/2017	547,409.50	2.46	6,402.00	547,961.77	538,094.15
Security Type Sub-Total		12,850,000.00					12,832,158.55	2.35	75,125.54	12,834,672.88	12,688,582.59
Certificate of Deposit											
SUMITOMO MITSUI BANK NY CD DTD 05/04/2017 2.050% 05/03/2019	86563YVN0	975,000.00	A-1	P-1	5/3/2017	5/4/2017	975,000.00	2.05	8,383.65	975,000.00	972,502.05
SKANDINAV ENSKILDA BANKEN NY CD DTD 08/04/2017 1.840% 08/02/2019	83050FXT3	1,075,000.00	A-1	P-1	8/3/2017	8/4/2017	1,074,580.75	1.85	3,296.67	1,074,824.36	1,068,034.00
MUFG BANK LTD/NY CERT DEPOS DTD 09/27/2017 2.070% 09/25/2019	06539RGM3	550,000.00	A-1	P-1	9/25/2017	9/27/2017	550,000.00	2.07	189.75	550,000.00	545,483.95
CREDIT SUISSE NEW YORK CERT DEPOS DTD 02/08/2018 2.670% 02/07/2020	22549LFR1	550,000.00	A	A1	2/7/2018	2/8/2018	550,000.00	2.67	9,504.46	550,000.00	549,755.25
NORDEA BANK AB NY CD DTD 02/22/2018 2.720% 02/20/2020	65590ASN7	550,000.00	AA-	Aa3	2/20/2018	2/22/2018	550,000.00	2.72	1,703.78	550,000.00	547,727.95
UBS AG STAMFORD CT LT CD DTD 03/06/2018 2.900% 03/02/2020	90275DHG8	550,000.00	A+	Aa2	3/2/2018	3/6/2018	550,000.00	2.93	1,196.25	550,000.00	551,316.70
CREDIT AGRICOLE CIB NY FLT CERT DEPOS DTD 04/10/2018 2.884% 04/10/2020	22532XHT8	550,000.00	A	A1	4/6/2018	4/10/2018	550,000.00	2.85	3,552.38	550,000.00	551,056.00
CANADIAN IMP BK COMM NY FLT CERT DEPOS DTD 04/10/2018 2.814% 04/10/2020	13606BVF0	550,000.00	A+	Aa2	4/6/2018	4/10/2018	550,000.00	2.78	3,463.62	550,000.00	551,389.85
BANK OF NOVA SCOTIA HOUSTON CD DTD 06/07/2018 3.080% 06/05/2020	06417GU22	550,000.00	A+	Aa2	6/5/2018	6/7/2018	549,791.00	3.10	5,364.33	549,823.08	552,655.95

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Certificate of Deposit											
BANK OF MONTREAL CHICAGO CERT DEPOS DTD 08/03/2018 3.190% 08/03/2020	06370REU9	550,000.00	A+	Aa2	8/1/2018	8/3/2018	550,000.00	3.23	2,875.43	550,000.00	549,294.35
WESTPAC BANKING CORP NY CD DTD 08/07/2017 2.050% 08/03/2020	96121T4A3	965,000.00	AA-	Aa3	8/3/2017	8/7/2017	965,000.00	2.05	2,967.38	965,000.00	951,148.39
SWEDBANK (NEW YORK) CERT DEPOS DTD 11/17/2017 2.270% 11/16/2020	87019U6D6	550,000.00	AA-	Aa2	11/16/2017	11/17/2017	550,000.00	2.30	4,785.92	550,000.00	539,175.45
ROYAL BANK OF CANADA NY CD DTD 06/08/2018 3.240% 06/07/2021	78012UEE1	700,000.00	AA-	Aa2	6/7/2018	6/8/2018	700,000.00	3.24	7,119.00	700,000.00	703,768.80
Security Type Sub-Total		8,665,000.00					8,664,371.75	2.52	54,402.62	8,664,647.44	8,633,308.69
Asset-Backed Security / Collateralized Mortgage Obligation											
CARMAX ABS 2017-1 A2 DTD 01/31/2017 1.540% 02/15/2020	14314JAB6	35,301.32	NR	Aaa	1/25/2017	1/31/2017	35,301.31	1.60	24.16	35,301.32	35,279.07
CNH 2017-A A2 DTD 03/22/2017 1.640% 07/15/2020	12636WAB2	134,465.24	AAA	NR	3/15/2017	3/22/2017	134,460.08	1.80	98.01	134,462.19	134,218.66
CITIBANK ABS 2017-A2 A2 DTD 01/26/2017 1.740% 01/19/2021	17305EGA7	450,000.00	AAA	Aaa	1/19/2017	1/26/2017	449,913.83	1.75	1,609.50	450,000.00	449,009.96
TOYOTA ABS 2017-A A3 DTD 03/15/2017 1.730% 02/15/2021	89238MAD0	120,000.00	AAA	Aaa	3/7/2017	3/15/2017	119,985.88	1.74	92.27	119,991.29	119,150.68
JOHN DEERE ABS 2017-A A3 DTD 03/02/2017 1.780% 04/15/2021	47787XAC1	90,000.00	NR	Aaa	2/22/2017	3/2/2017	89,987.18	1.79	71.20	89,990.22	89,301.38
CARMX 2017-4 A2A DTD 10/25/2017 1.800% 04/15/2021	14314RAH5	126,323.44	AAA	NR	10/17/2017	10/25/2017	126,314.17	1.79	101.06	126,316.55	125,755.15
ALLY ABS 2017-1 A3 DTD 01/31/2017 1.700% 06/15/2021	02007PAC7	95,535.36	NR	Aaa	1/24/2017	1/31/2017	95,527.01	1.70	72.18	95,530.37	94,864.63
FORD ABS 2017-A A3 DTD 01/25/2017 1.670% 06/15/2021	34531EAD8	305,000.00	NR	Aaa	1/18/2017	1/25/2017	304,998.87	1.67	226.38	304,999.40	302,251.61

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Asset-Backed Security / Collateralized Mortgage Obligation											
GMALT 2018-3 A3 DTD 09/26/2018 3.180% 06/20/2021	36256GAD1	170,000.00	AAA	Aaa	9/18/2018	9/26/2018	169,986.57	3.19	75.08	169,986.64	170,024.79
TOYOTA ABS 2017-B A3 DTD 05/17/2017 1.760% 07/15/2021	89190BAD0	450,000.00	AAA	Aaa	5/9/2017	5/17/2017	449,965.49	1.76	352.00	449,976.54	444,998.21
HONDA ABS 2017-1 A3 DTD 03/28/2017 1.720% 07/21/2021	43814TAC6	219,697.96	NR	Aaa	3/21/2017	3/28/2017	219,684.89	1.72	104.97	219,687.11	217,767.28
HYUNDAI ABS 2017-A A3 DTD 03/29/2017 1.760% 08/15/2021	44931PAD8	205,000.00	AAA	NR	3/22/2017	3/29/2017	204,983.42	1.76	160.36	204,983.42	202,781.98
ALLY ABS 2017-2 A3 DTD 03/29/2017 1.780% 08/15/2021	02007HAC5	380,000.00	NR	Aaa	3/21/2017	3/29/2017	379,955.20	1.79	300.62	379,971.39	377,152.85
NISSAN ABS 2017-A A3 DTD 03/28/2017 1.740% 08/15/2021	654747AD6	250,000.00	NR	Aaa	3/21/2017	3/28/2017	249,973.53	1.74	193.33	249,979.96	247,073.40
HAROT 2017-3 A3 DTD 09/29/2017 1.790% 09/18/2021	43814PAC4	140,000.00	AAA	NR	9/25/2017	9/29/2017	139,984.84	1.94	90.49	139,988.51	138,003.57
CCCIT 2017-A9 A9 DTD 10/02/2017 1.800% 09/20/2021	17305EGH2	200,000.00	AAA	NR	9/25/2017	10/2/2017	199,985.10	1.80	110.00	199,988.70	198,036.74
NISSAN ABS 2017-B A3 DTD 08/23/2017 1.750% 10/15/2021	65478GAD2	275,000.00	NR	Aaa	8/16/2017	8/23/2017	274,984.63	1.75	213.89	274,988.60	270,988.82
JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	145,000.00	NR	Aaa	7/11/2017	7/18/2017	144,989.39	1.82	117.29	144,992.11	143,013.21
FORDL 2018-B A3 DTD 09/21/2018 3.190% 12/15/2021	34531LAD2	230,000.00	NR	Aaa	9/18/2018	9/21/2018	229,980.57	3.41	203.81	229,980.74	229,986.75
AMERICAN EXPRESS ABS 2017-4 A DTD 05/30/2017 1.640% 12/15/2021	02582JHG8	190,000.00	AAA	NR	5/22/2017	5/30/2017	189,969.56	1.65	138.49	189,978.12	188,794.62
HYUNDAI ABS 2017-B A3 DTD 08/16/2017 1.770% 01/15/2022	44932GAD7	230,000.00	AAA	Aaa	8/9/2017	8/16/2017	229,960.14	1.78	180.93	229,970.00	226,365.03
HAROT 2018-1 A3 DTD 02/28/2018 2.640% 02/15/2022	43814UAC3	235,000.00	AAA	Aaa	2/22/2018	2/28/2018	234,969.61	2.65	275.73	234,973.89	233,339.35
FORDO 2017-C A3 DTD 11/21/2017 2.010% 03/15/2022	34532AAD5	275,000.00	AAA	NR	11/14/2017	11/21/2017	274,950.42	2.02	245.67	274,959.91	271,128.99

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Asset-Backed Security / Collateralized Mortgage Obligation											
JDOT 2018-A A3 DTD 02/28/2018 2.660% 04/15/2022	47788CAC6	130,000.00	NR	Aaa	2/21/2018	2/28/2018	129,990.65	2.66	153.69	129,991.94	129,046.53
HAROT 2018-2 A3 DTD 05/30/2018 3.010% 05/18/2022	43814UAG4	95,000.00	AAA	NR	5/22/2018	5/30/2018	94,997.93	3.01	103.26	94,998.15	94,894.66
HART 2018-A A3 DTD 04/18/2018 2.790% 07/15/2022	44891KAD7	90,000.00	AAA	Aaa	4/10/2018	4/18/2018	89,986.45	2.80	111.60	89,987.84	89,500.92
BANK OF AMERICA ABS 2017-A1 A1 DTD 03/30/2017 1.950% 08/15/2022	05522RCW6	275,000.00	NR	Aaa	6/11/2018	6/13/2018	270,638.67	2.73	238.33	270,866.56	271,194.22
TAOT 2018-B A3 DTD 05/16/2018 2.960% 09/15/2022	89238TAD5	465,000.00	AAA	Aaa	5/9/2018	5/16/2018	464,993.07	2.96	611.73	464,993.69	463,901.21
AMXCA 2018-1 A DTD 03/21/2018 2.670% 10/17/2022	02582JHQ6	305,000.00	NR	Aaa	3/14/2018	3/21/2018	304,964.59	2.68	361.93	304,968.54	303,788.30
FORDO 2018-A A3 DTD 05/22/2018 3.030% 11/15/2022	34528FAD0	275,000.00	AAA	NR	5/15/2018	5/22/2018	274,955.53	3.04	370.33	274,958.93	274,776.98
ALLYA 2018-2 A3 DTD 04/30/2018 2.920% 11/15/2022	02004VAC7	375,000.00	NR	Aaa	4/24/2018	4/30/2018	374,931.90	2.93	486.67	374,937.68	374,143.35
MBART 2018-1 A3 DTD 07/25/2018 3.030% 01/15/2023	58772RAD6	350,000.00	AAA	Aaa	7/17/2018	7/25/2018	349,986.56	3.03	471.33	349,987.25	349,579.37
CCCIT 2018-A1 A1 DTD 01/31/2018 2.490% 01/20/2023	17305EGK5	275,000.00	NR	Aaa	8/21/2018	8/23/2018	271,959.96	2.97	1,350.48	272,011.60	271,198.87
GMCAR 2018-3 A3 DTD 07/18/2018 3.020% 05/16/2023	36255JAD6	245,000.00	AAA	NR	7/11/2018	7/18/2018	244,942.87	3.03	308.29	244,945.16	244,531.41
CARMAX AUTO OWNER TRUST DTD 07/25/2018 3.130% 06/15/2023	14313FAD1	260,000.00	AAA	NR	7/18/2018	7/25/2018	259,964.56	3.36	361.69	259,965.85	259,996.72
Security Type Sub-Total		8,091,323.32					8,083,124.43	2.33	9,986.75	8,083,610.17	8,035,839.27
Managed Account Sub Total		54,700,081.75					54,585,530.00	2.13	243,920.28	54,608,378.45	53,994,722.11

Securities Sub-Total	\$54,700,081.75	\$54,585,530.00	2.13%	\$243,920.28	\$54,608,378.45	\$53,994,722.11
Accrued Interest						\$243,920.28
Total Investments						\$54,238,642.39

Bolded items are forward settling trades.

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed-income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight-line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS-THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

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CONSENT CALENDAR

Agenda Item # 3

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Resolution No. 2018-43: Conflict of Interest Code

Prepared by: Jon Maginot, Deputy City Manager

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Resolution No. 2018-43

Initiated by:

State Law

Previous Council Consideration:

August 23, 2016

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Are the positions designated within the Conflict of Interest Code consistent with the regulation to identify those positions which make or participate in making governmental decisions?

Summary:

- Adoption of the City's Conflict of Interest Code is required every two years
- Those positions which make or participate in making governmental decisions have been identified

Staff Recommendation:

Adopt Resolution No. 2018-43 amending the City of Los Altos Conflict of Interest Code



Subject: Resolution No. 2018-43: Conflict of Interest Code

Purpose

To adopt the City's biennial Conflict of Interest Code.

Background

California Government Code Section 87300 *et seq.* requires all local government agencies to establish a Conflict of Interest (COI) Code and to review that Code biennially. The City of Los Altos COI was last amended on August 23, 2016.

Discussion/Analysis

The purpose of the biennial COI Code review is to determine if changes to the code are needed. According to Fair Political Practices Commission (FPPC) Regulation 18730, the COI Code designates those positions in the City which "make or participate in the making of decisions which may foreseeably have a material effect on economic interests." The Code must further specify the extent of disclosure required. Upon a review of the City's current Code, it was determined that an amendment is necessary.

Since the last update to the COI Code, staff positions have been created and/or eliminated and titles and responsibilities have changed. In addition, the City Attorney's office has conducted a thorough review of the list of positions and determined that additional positions should be added to the list. It was also determined that the disclosure categories should be revised to better reflect those interests which are required to be disclosed. Exhibit A to Resolution No. 2018-43 contains the list of positions and their designated disclosure requirements.

Each individual designated by the COI Code must file an annual Statement of Economic Interests (Form 700) with the City Clerk's Office, as well as Assuming Office and Leaving Office statements when applicable.

It should be noted that those serving on the City Council and the Planning Commission, as well as the City Manager, City Attorney and Administrative Services/Finance Director are designated in Government Code Section 87200 and therefore are not listed in the City's Code.

Options

- 1) Adopt Resolution No. 2018-43 amending the City of Los Altos Conflict of Interest Code

Advantages: Updates the City's Conflict of Interest Code to reflect more accurately those positions which make or participate in making governmental decisions

Disadvantages: None identified



Subject: Resolution No. 2018-43: Conflict of Interest Code

2) Do not adopt Resolution No. 2018-43

Advantages: None identified

Disadvantages: Certain positions which participate in making governmental decisions would not be required to file Statement of Economic Interests

Recommendation

The staff recommends Option 1.

RESOLUTION NO. 2018-43

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
APPROVING AND ADOPTING AN AMENDED CONFLICT OF INTEREST
CODE PURSUANT TO THE POLITICAL REFORM ACT OF 1974**

WHEREAS, the State of California enacted the Political Reform Act of 1974, Government Code Section 81000, et seq. (the “Act”), which contains provisions relating to conflicts of interest which potentially affect all officers, employees and consultants of the City of Los Altos (the “City”), and which requires all public agencies to adopt and promulgate a conflict of interest code; and

WHEREAS, the City Council adopted a Conflict of Interest Code (the “Code”), which was amended by Resolution No. 2016-25 in compliance with the Act; and

WHEREAS, subsequent changed circumstances within the City have made it advisable and necessary pursuant to Sections 87306 and 87307 of the Act to amend and update the City’s Code; and

WHEREAS, the potential penalties for violation of the provisions of the Act are substantial and may include criminal and civil liability, as well as equitable relief which could result in the City being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and

WHEREAS, notice of the time and place of a public meeting on, and of consideration by the City Council of, the proposed amended Code was provided to each affected designated employee and was publicly posted for review; and

WHEREAS, a public meeting was held upon the proposed amended Code at a regular meeting of the City Council on November 27, 2018, at which all present were given an opportunity to be heard on the proposed amended Code.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Los Altos that:

1. The City Council does hereby approve and adopt the proposed amended Conflict of Interest Code, a copy of which is attached hereto and shall be on file with the City Clerk and available to the public for inspection and copying during regular business hours;
2. The said amended Conflict of Interest Code shall become effective immediately upon its adoption and approval; and
3. All previous conflict of interest codes of the City of Los Altos shall be rescinded upon effective date of said amended Code as approved by the City Council.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ____ day of ____, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK

**CONFLICT OF INTEREST CODE
OF THE
CITY OF LOS ALTOS**

CONFLICT OF INTEREST CODE OF THE CITY OF LOS ALTOS

(Adopted November 27, 2018)

The Political Reform Act (Gov. Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. § 18730) that contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency's code. After public notice and hearing Regulation 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, Regulation 18730 and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the **City of Los Altos (the "City")**.

All officials and designated positions required to submit a statement of economic interests shall file their statements with the **City Clerk** as the City's Filing Officer. The **City Clerk** shall make and retain a copy of all statements filed by the Mayor, Members of the City Council and Planning Commission, the City Manager, the City Attorney and the City Treasurer, and forward the originals of such statements to the Fair Political Practices Commission. The **City Clerk** shall retain the original statements filed by all other officials and designated positions and will make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

All officials and designated positions required to submit a statement of economic interests shall receive ethics training as required pursuant to Government Code section 53235 (AB 1234). The City's Filing Officer shall annually provide all filers with information on training available to meet the requirements of Section 53235, and maintain required records indicating the dates that filers satisfied the training requirements and the entity that provided the training. These records shall be retained for five years after the date of training and are public records subject to disclosure under the California Public Records Act. (Gov. Code § 53235.2.)

APPENDIX

CONFLICT OF INTEREST CODE

OF THE

CITY OF LOS ALTOS

(Adopted November 27, 2018)

PART “A”

The Mayor, Members of the City Council and Planning Commission, the City Manager, the City Attorney, the City Treasurer, and All Other City Officials who manage public investments, as defined by 2 Cal. Code of Regs. §18700.3(b), are NOT subject to the City’s Code but must file disclosure statements under Government Code section 87200 et seq. [Regs. § 18730(b)(3)]

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

It has been determined that the positions listed below are Other City Officials who manage public investments¹. These positions are listed here for informational purposes only.

Administrative Services/Finance Director

Investment Advisor

Investment Consultant

¹ Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT OF INTEREST CODE

<u>DESIGNATED POSITIONS'</u> <u>TITLE OR FUNCTION</u>	<u>DISCLOSURE CATEGORIES</u> <u>ASSIGNED</u>
Assistant City Manager	1, 2
Assistant/Associate Planner	2, 3, 5
Associate/Senior Planner	2, 3, 5
Building Inspector	6
Building Official	2, 3, 5, 6
City Attorney (not filing under GC § 87200, incl. deputy/assistant)	1, 2
Community Development Director	1, 2
Deputy City Clerk	5
Deputy City Manager/ City Clerk	1, 2
Economic Development Manager/Coordinator	1, 2
Engineering Services Manager	2, 3, 5
Financial Services Manager	1, 2
Human Resources Manager	5
Information Technology Analyst	5
Information Technology Manager	5
Maintenance Services Manager	5

DESIGNATED POSITIONS'
TITLE OR FUNCTION

DISCLOSURE CATEGORIES
ASSIGNED

Maintenance Supervisor	5
Management Analyst	5
Planning Services Manager	1, 2
Police Captain	5
Police Chief	5
Police Services Manager	5
Project Manager	2, 3, 5
Public Works Director	1, 2
Recreation Coordinator	5
Recreation Director	5
Recreation Manager	5
Senior/Recreation Supervisor	5
Special Projects Manager	2, 3, 5
Transportation Projects Manager	2, 3, 5

DESIGNATED POSITIONS'
TITLE OR FUNCTION

DISCLOSURE CATEGORIES
ASSIGNED

MEMBERS OF COMMITTEES,
BOARDS & COMMISSIONS

Complete Streets Commission	1, 2
Design Review Commission	2, 3, 6
Environmental Commission	1, 2
Financial Commission	1, 2
Historical Commission	5
Parks and Recreation Commission	2, 3, 5
Public Arts Commission	5

Consultants and New Positions²

² Individuals serving as a consultant as defined in FPPC Reg 18700.3(a) or in a new position created since this Code was last approved that makes or participates in making decisions must file under the broadest disclosure set forth in this Code subject to the following limitation:

The City Manager may determine that, due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.). The City Manger's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.)

PART "B"

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which he or she is assigned.³ "Investment" means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of the City.

Category 1: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the boundaries of the City.

Category 3: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the City.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the City.

Category 5: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position's department, unit or division.

Category 6: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, subject to the regulatory, permit, or licensing authority of the designated employee's department, unit or division.

³ This Conflict of Interest Code does not require the reporting of gifts from outside this agency's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730.1)



CONSENT CALENDAR

Agenda Item # 4

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Resolution 2018-44: Department of Justice grant funding acceptance

Prepared by: Sarah Henricks, Deputy City Clerk

Reviewed by: Jon Maginot, Deputy City Manager

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Resolution 2018-44
2. Tobacco Law Enforcement Grant Budget Detail
3. July 10, 2018 staff report

Initiated by:

Staff

Previous Council Consideration:

July 10, 2018

Fiscal Impact:

The grant will increase available funds for tobacco enforcement related activities from \$23,228 to \$29,209, an increase of \$5,981.

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council wish to rescind Resolution No. 2018-27 and adopt a new resolution that increases the amount of accepted grant funds dedicated to tobacco enforcement programs and activities?

Summary:

- At the July 10, 2018 regular meeting, City Council adopted Resolution No. 2018-27, authorizing the acceptance of \$23,228 in California Department of Justice funding to be administered by the County of Santa Clara to implement tobacco enforcement and education related activities
- Santa Clara County included additional funding through the DOJ grant to account for a calculation error and to provide for vehicle mileage for travel to and from meetings and operations, tobacco product purchases for undercover operations, and increased cost of signage



Subject: Resolution 2018-44: Department of Justice grant funding acceptance

- To accept the additional funding, City Council must rescind Resolution No. 2018-27 and adopt Resolution No. 2018-44 in its place
- The City will receive an additional \$5,981 to implement tobacco enforcement and education related activities

Staff Recommendation:

Rescind Resolution No. 2018-27 and adopt Resolution 2018-44 authorizing acceptance of \$29,209 in grant funding from the California Department of Justice



Subject: Resolution 2018-44: Department of Justice grant funding acceptance

Purpose

To rescind Resolution No. 2018-27 and adopt Resolution 2018-44 which accepts grant funds of \$29,209 from the California Department of Justice as part of the joint application to the DOJ for the implementation of tobacco education and enforcement programs.

Background

At the July 10, 2018 meeting, the City Council adopted Resolution No. 2018-27 accepting grant funds of \$23,228 from the California Department of Justice as part of a joint application to the DOJ for the implementation of tobacco education and enforcement programs. The Council also authorized the City Manager to sign a service agreement with the County of Santa Clara, the primary applicant, to oversee fund distributions and assist in monitoring and reporting on program activities. The staff report from the July 10, 2018 meeting is included as Attachment 3.

Discussion/Analysis

After adoption of Resolution No. 2018-27, the County identified an error in the budget calculations and determined additional funding was available and relevant to the City's programs. The additional funding will cover the purchase of tobacco products for undercover operations, mileage reimbursement for travel to and from meetings and related activities, and increased cost of signage. This new calculation and funding adds \$5,981 to the grant budget for program implementation.

The programs include:

- Purchase and installation of Smoke-free Public Places signs on all municipal campuses and parks
- School Resource Officer tobacco prevention training and program development
- Quarterly decoy operations with County-led training

Options

- 1) Rescind Resolution No. 2018-27 and adopt Resolution 2018-44 accepting \$29,209 DOJ grant funding

Advantages: The City of Los Altos receives \$29,209 in grant funding for implementation of tobacco-related education and enforcement campaigns

Disadvantages: The City of Los Altos must implement the new programs



Subject: Resolution 2018-44: Department of Justice grant funding acceptance

- 2) Rescind Resolution No. 2018-27 and do not adopt Resolution 2018-44 accepting \$29,209 DOJ grant funding

Advantages: The City is not obligated to complete the program implementation

Disadvantages: The City does not receive the \$29,209 and must pay for the increased programming with general funds, seek funding elsewhere, or choose not to implement the new programming or projects

Recommendation

The staff recommends Option 1.

RESOLUTION NO. 2018-44

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
AUTHORIZING ACCEPTANCE OF \$29,209 IN CALIFORNIA DEPARTMENT
OF JUSTICE FUNDING TO BE ADMINISTERED BY THE COUNTY OF
SANTA CLARA TO IMPLEMENT TOBACCO ENFORCEMENT RELATED
ACTIVITIES**

WHEREAS, the California Department of Justice (DOJ) administers a \$30 million per year Tobacco Enforcement Grant Program for local governments supporting local efforts to reduce the illegal sale of tobacco products to minors through enforcement and compliance interventions; and

WHEREAS, one in ten youth currently use tobacco products in Santa Clara County and rates of electronic smoking devices are increasing; and

WHEREAS, enforcement of laws preventing tobacco sales to minors has declined over the last three years and the number of stores caught selling to minors has increased; and

WHEREAS, recent changes to state laws, such as the increase in age for tobacco sales to 21, has resulted in an increased percentage of the Santa Clara population who is under the legal age to buy tobacco products: 27% of the County's population, more than 500,000 residents; and

WHEREAS, the City of Los Altos has an ordinance increasing the number of smoke-free environments in the City, in part to reduce youth exposure to tobacco use, in which language regarding the posting of "No Smoking" or "Smoke-free" signs on City facilities is included; and

WHEREAS, the City of Los Altos Police Department currently conducts operations to assess compliance with laws governing the sale of tobacco; and

WHEREAS, the City of Los Altos School Resource Officer regularly conducts training and education on the dangers of drug and alcohol use but does not have a curriculum focused on the use of electronic smoking devices; and

WHEREAS, the City of Los Altos wishes to rescind Resolution No. 2018-27, which authorized acceptance of \$23,228 in California DOJ funding, and replace it with this Resolution, authorizing acceptance of \$29,209 in California DOJ funding.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby rescinds Resolution No. 2018-27 and replaces it with the adoption of Resolution 2018-44 accepting \$29,209 in DOJ funding to be administered by the County of Santa Clara to implement tobacco enforcement related activities including:

- Purchase and installation of non-smoking signs
- Quarterly decoy operations with County-led training

- School Resource Officer tobacco prevention training and program development.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ____ day of ____, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK

A. Personal Services				
Salaries				
Classification/Positions	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Police Officer	School Resource Officer Tobacco Prevention Training and development of custom school educational campaign (15 hours at hourly rate (\$115.18))	\$ -	\$ 1,728	\$ -
Police Officer	County-led Tobacco Enforcement Protocol Training (one hour/operation; four operations/year) (Four hours at hourly rate (\$115.18))	\$ -	\$ 461	\$ 461
Police Officer	Decoy Operations: 3 hours per operation, 4 operations per year (12 hours at hourly rate (\$115.18))	\$ -	\$ 1,382	\$ 1,382
Police Agent	Decoy Operations: 3 hours per operation, 4 operations per year (12 hours at hourly rate (\$124.75))	\$ -	\$ 1,497	\$ 1,497
Police Sergeant	Decoy Operations: 3 hours per operation, 4 operations per year (12 hours at hourly rate (\$134.29))	\$ -	\$ 1,611	\$ 1,611
Maintenance Worker II	Approximately 30 mins/sign x 60 signs (30 hours at hourly rate (\$68.90))	\$ -	\$ 2,067	\$ -
Maintenance Technician	Approximately 30 mins/sign x 60 signs (30 hours at hourly rate (\$103.56))	\$ -	\$ 3,107	\$ -
SUBTOTAL		\$ -	\$ 11,853	\$ 4,951
Overtime				
Classification/Positions	Computation	FY 2017-18	FY 2018-19	FY 2019-20
				\$ -
				\$ -
				\$ -
		\$ -	\$ -	\$ -
SUBTOTAL		\$ -	\$ -	\$ -
Benefits				
Classification/Positions	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Police Officer- Tobacco Prevention Training and Campaign Development	Benefits @ 43.53%	\$ -	\$ 752	\$ -
Police Officer- County-led Tobacco Enforcement Protocol Training	Benefits @ 43.53%	\$ -	\$ 201	\$ 201
Police Officer- Decoy operations	Benefits @ 43.53%	\$ -	\$ 602	\$ 602
Police Agent- Decoy operations	Benefits @ 43.53%	\$ -	\$ 652	\$ 652
Police Sergeant- Decoy operations	Benefits @ 43.53%	\$ -	\$ 701	\$ 701
Maintenance Worker II	Benefits @ 43.53%	\$ -	\$ 900	\$ -
Maintenance Technician	Benefits @ 43.53%	\$ -	\$ 1,352	\$ -
SUBTOTAL		\$ -	\$ 5,160	\$ 2,155
TOTAL PERSONAL SERVICES		\$ -	\$ 17,012	\$ 7,106

B. Operating Expenses (e.g. supplies, signage, tobacco products, etc.)

Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
No Smoking signs for Parks, City Facilities, and Downtown Los Altos (11" x 18")	72 signs @ \$22.25/sign	\$ -	\$ 1,602	\$ -
Steel sign posts	10 sign posts @ \$75/post	\$ -	\$ 750	\$ -
Concrete for sign installation	Thirty 60-lb bags concrete (\$9.97/bag)	\$ -	\$ 299	\$ -
Hardware	Steel sign post hardware (two screws/sign \$1.25/screw x 60 signs)	\$ -	\$ 150	\$ -
Tobacco products for undercover buys	Up to \$333 per FY	\$ -	\$ 333	\$ 333
TOTAL		\$ -	\$ 3,134	\$ 333

C. Equipment (tangible items with a per-unit cost of \$5,000 or more)

Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ -	\$ -

D. Travel Expenses/Registration Fees*

Description and Destination	Computation	FY 2017-18	FY 2018-19	FY 2019-20
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ -	\$ -

*For DQT-sponsored events only. Travel will only be reimbursed under the current state rate

E. Other Expenses				
Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Mileage - local project travel expenses - store visits for decoy ops, compliance checks, task force meetings, trainings, etc.	\$0.535 per mile for approximately 400 miles per FY		\$ 219	\$ 198
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ 219	\$ 198

F. Administrative Costs*				
Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Administrative costs of Personal Services	5% of Salary+benefits for employees implementing programs	\$ -	\$ 851	\$ 355
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ 851	\$ 355

*Administrative costs may not exceed 5% of the total budget.

SUMMARY				
Budget Category	FY 2017-18	FY 2018-19	FY 2019-20	Total Request
A. Personal Services	\$ -	\$ 17,012	\$ 7,106	\$ 24,119
B. Operating Expenses	\$ -	\$ 3,134	\$ 333	\$ 3,467
C. Equipment	\$ -	\$ -	\$ -	\$ -
D. Travel/Registration	\$ -	\$ -	\$ -	\$ -
E. Other Expenses	\$ -	\$ 219	\$ 198	\$ 417
F. Administrative Costs	\$ -	\$ 851	\$ 355	\$ 1,206
TOTAL PROJECT COSTS	\$ -	\$ 21,216	\$ 7,992	\$ 29,209



CONSENT CALENDAR

Agenda Item # 2

AGENDA REPORT SUMMARY

Meeting Date: July 10, 2018

Subject: Resolution 2018-27: Department of Justice grant funding acceptance

Prepared by: Sarah Henricks, Management Analyst Fellow

Reviewed by: J Logan, Assistant City Manager

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Resolution 2018-27
2. Tobacco Law Enforcement Grant Budget Detail

Initiated by:

Staff

Previous Council Consideration:

None

Fiscal Impact:

The grant will increase available funds for tobacco enforcement related activities by \$23,228

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council wish to adopt a resolution that will accept grant funds dedicated to tobacco enforcement programs and activities?
- Does the Council wish to authorize the City Manager to sign a service agreement with the County of Santa Clara to administer said grant funds?

Summary:

- In partnership with the County of Santa Clara, the City of Los Altos will implement new or continued tobacco enforcement activities, such as purchasing and installing new signs on municipal campuses to educate the public about new smoking prohibitions; training a new SRO to implement the Tobacco Prevention Toolkit and develop custom programming to provide tobacco prevention education in schools; and participating in training and conducting decoy operations to enforce tobacco sales to minors laws.

Staff Recommendation:

Move to adopt Resolution 2018-27 authorizing acceptance of \$23,228 in grant funding from the California Department of Justice and to authorize the City Manager to sign a service agreement with the County of Santa Clara.



Subject: Resolution 2018-27: Department of Justice grant funding acceptance

Purpose

Consider adopting Resolution 2018-27 which accepts grant funds of \$23,228 from the California Department of Justice as part of the joint application to the DOJ for the implementation of tobacco education and enforcement programs. Consider authorizing the City Manager to sign a service agreement with the County of Santa Clara, the primary applicant, which will oversee fund distributions and assist in monitoring and reporting on program activities.

Background

Proposition 56, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 raised the cigarette tax by \$2.00 per pack and added an equivalent increase to other tobacco products. Proposition 56 specifically allocates \$30 million of revenue to be distributed annually by the California Department of Justice to local law enforcement agencies for the support of peace officers for various activities, including investigations intended to reduce the illegal sale of tobacco products to minors.

In May 2018, the California DOJ released a Request for Proposal to fund tobacco enforcement activities, particularly as they relate to preventing youth access and exposure to tobacco products. The County of Santa Clara sought interested applicants to apply jointly for the grant funding, with the County acting as the primary applicant and handling the application submission process and grant oversight. The City agreed to partner with the County, as the secondary applicant, and applied for \$23,228 in grant funding for the following:

- Purchase and installation of Smoke-free Public Places signs on all municipal campuses and parks
- School Resource Officer tobacco prevention training and program development
- Quarterly decoy operations with County-led training

The County of Santa Clara was awarded \$575,000 from the DOJ, of which \$23,228 will be allocated to the City of Los Altos.

Discussion/Analysis

The programs to be funded by the DOJ grant are described below.

Educational Campaign-Signs

The City of Los Altos recently adopted new smoking prohibitions across the City to improve the health and well-being of its residents, workforce, and visitors. The prohibitions increase the number of smoke-free environments, particularly in unenclosed public places. As an educational campaign to update the community on these new prohibitions, signs will be installed at all City parks, on the Civic Center Campus and at the Maintenance Services Center.



Subject: Resolution 2018-27: Department of Justice grant funding acceptance

Educational Campaign- SRO training and program development

Every three years, the Los Altos Police Department trains a new School Resource Officer to serve as a liaison between local schools and the department. The Department is currently onboarding its new SRO and staff feels this is an appropriate time to provide training aimed at educating youth on the dangers associated with electronic cigarettes/vape pens. Stanford University has developed a Tobacco Prevention Toolkit that provides comprehensive instruction on educating minors about the dangers of tobacco use with a specific module on electronic cigarettes/vape pens and JUULS. The new SRO will receive training via the toolkit and develop customized programming to provide tobacco prevention training in Los Altos schools. This programming supplements the D.A.R.E. programming currently provided by Los Altos SROs.

Enforcement Campaign-Training and decoy operations

The Los Altos Police Department currently conducts operations to ensure that tobacco retailers are adhering to California's tobacco sales laws. Working with the County of Santa Clara, the Police Department conducts two decoy operations per year to enforce tobacco sales to minors laws. Funding from this grant will enable the Police Department to double its tobacco enforcement activities, participating in one County-led training on tobacco enforcement protocol per quarter, followed by a decoy operation for each quarter of FY2018/19 and FY2019/20.

Options

- 1) Adopt Resolution 2018-27 accepting the DOJ grant funding and authorize the City Manager to sign a service agreement with the County of Santa Clara.

Advantages: The City of Los Altos receives \$23,228 in grant funding to deter the costs associated with new tobacco-related education and enforcement campaigns; the County of Santa Clara handles the grant monitoring and reporting on behalf of the City

Disadvantages: The City of Los Altos engages in increased education and enforcement campaigns without engaging additional employees to complete the work; the City is obligated to complete the projects and programs and provide reporting to the County of Santa Clara to comply with the rules of the grant

- 2) Do not adopt Resolution 2018-27 accepting the DOJ grant funding and do not authorize the City Manager to sign a service agreement with the County of Santa Clara.

Advantages: The City is not obligated to complete the increased projects or programs and does not have to comply with reporting standards



Subject: Resolution 2018-27: Department of Justice grant funding acceptance

Disadvantages: The City does not receive the \$23,228 and must pay for the increased programming or projects with general funds, seek funding elsewhere, or choose not to implement the new programming or projects

Recommendation

The staff recommends Option 1.

RESOLUTION NO. 2018-27

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
AUTHORIZING ACCEPTANCE OF \$23,228 IN CALIFORNIA DEPARTMENT
OF JUSTICE FUNDING TO BE ADMINISTERED BY THE COUNTY OF
SANTA CLARA TO IMPLEMENT TOBACCO ENFORCEMENT RELATED
ACTIVITIES**

WHEREAS, the California Department of Justice (DOJ) administers a \$30 million per year Tobacco Enforcement Grant Program for local governments supporting local efforts to reduce the illegal sale of tobacco products to minors through enforcement and compliance interventions, and

WHEREAS, one in ten youth currently use tobacco products in Santa Clara County and rates of electronic smoking devices are increasing, and

WHEREAS, enforcement of laws preventing tobacco sales to minors has declined over the last three years and the number of stores caught selling to minors has increased, and

WHEREAS, recent changes to state laws, such as the increase in age for tobacco sales to 21, has resulted in an increased percentage of the Santa Clara population who is under the legal age to buy tobacco products: 27% of the County's population, more than 500,000 residents, and

WHEREAS, the City of Los Altos has an ordinance increasing the number of smoke-free environments in the City, in part to reduce youth exposure to tobacco use, in which language regarding the posting of "No Smoking" or "Smoke-free" signs on City facilities is included, and

WHEREAS, the City of Los Altos Police Department currently conducts operations to assess compliance with laws governing the sale of tobacco, and

WHEREAS, the City of Los Altos School Resource Officer regularly conducts training and education on the dangers of drug and alcohol use but does not have a curriculum focused on the use of electronic smoking devices.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby adopts Resolution 2018-27 to accept \$23,228 in DOJ funding to be administered by the County of Santa Clara to implement tobacco enforcement related activities including:

- Purchase and installation of non-smoking signs
- Quarterly decoy operations with County-led training
- School Resource Officer tobacco prevention training and program development.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ____ day of ____, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK

TOBACCO LAW ENFORCEMENT GRANT BUDGET DETAIL

Costs Per Fiscal Year (July 1 - June 30)

A. Personal Services				
Salaries				
Classification/Positions	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Police Officer	School Resource Officer Tobacco Prevention Training and development of custom school educational campaign (15 hours at hourly rate (\$115.18))	\$ -	\$ 1,728	\$ -
Police Officer	County-led Tobacco Enforcement Protocol Training (one hour/operation; four operations/year) (Four hours at hourly rate (\$115.18))	\$ -	\$ 461	\$ 461
Police Officer	Decoy Operations: 3 hours per operation, 4 operations per year (12 hours at hourly rate (\$115.18))	\$ -	\$ 1,382	\$ 1,382
Police Agent	Decoy Operations: 3 hours per operation, 4 operations per year (12 hours at hourly rate (\$124.75))	\$ -	\$ 1,497	\$ 125
Police Sergeant	Decoy Operations: 3 hours per operation, 4 operations per year (12 hours at hourly rate (\$134.29))	\$ -	\$ 1,611	\$ 1,611
Maintenance Worker II	Approximately 30 mins/sign x 60 signs (30 hours at hourly rate (\$68.90))	\$ -	\$ 2,067	\$ -
Maintenance Technician	Approximately 30 mins/sign x 60 signs (30 hours at hourly rate (\$103.56))	\$ -	\$ 3,107	\$ -
SUBTOTAL		\$ -	\$ 11,853	\$ 1,968
Overtime				
Classification/Positions	Computation	FY 2017-18	FY 2018-19	FY 2019-20
				\$ -
				\$ -
				\$ -
		\$ -	\$ -	\$ -
SUBTOTAL		\$ -	\$ -	\$ -
Benefits				
Classification/Positions	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Police Officer- Tobacco Prevention Training and Campaign	Benefits @ 43.53%	\$ -	\$ 752	\$ -
Police Officer- County-led Tobacco Enforcement Protocol	Benefits @ 43.53%	\$ -	\$ 201	\$ 201
Police Officer- Decoy operations	Benefits @ 43.53%	\$ -	\$ 602	\$ 602
Police Agent- Decoy operations	Benefits @ 43.53%	\$ -	\$ 652	\$ 54
Police Sergeant- Decoy operations	Benefits @ 43.53%	\$ -	\$ 701	\$ 701
Maintenance Worker II	Benefits @ 43.53%	\$ -	\$ 900	\$ -
Maintenance Technician	Benefits @ 43.53%	\$ -	\$ 1,352	\$ -
SUBTOTAL		\$ -	\$ 5,160	\$ 857
TOTAL PERSONAL SERVICES		\$ -	\$ 17,012	\$ 2,824

TOBACCO LAW ENFORCEMENT GRANT BUDGET DETAIL

B. Operating Expenses (e.g. supplies, signage, tobacco products, etc.)

Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
No Smoking signs for Parks, City Facilities, and Downtown Los Altos (11" x 18")	60 signs @ \$20/sign	\$ -	\$ 1,200	\$ -
Steel sign posts	10 sign posts @ \$75/post	\$ -	\$ 750	\$ -
Concrete for sign installation	Thirty 60-lb bags concrete (\$9.97/bag)	\$ -	\$ 299	\$ -
Hardware	Steel sign post hardware (two screws/sign \$1.25/screw x 60 signs)	\$ -	\$ 150	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ 2,399	\$ -

TOBACCO LAW ENFORCEMENT GRANT BUDGET DETAIL

C. Equipment (tangible items with a per-unit cost of \$5,000 or more)

Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ -	\$ -

D. Travel Expenses/Registration Fees*

Description and Destination	Computation	FY 2017-18	FY 2018-19	FY 2019-20
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ -	\$ -

*For DQT-sponsored events only. Travel will only be reimbursed under the current state rate

E. Other Expenses

Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ -	\$ -

F. Administrative Costs*

Description	Computation	FY 2017-18	FY 2018-19	FY 2019-20
Administrative costs of Personal Services	5% of Salary+benefits for employees implementing programs	\$ -	\$ 851	\$ 141
		\$ -	\$ -	\$ -
TOTAL		\$ -	\$ 851	\$ 141

*Administrative costs may not exceed 5% of the total budget.

TOBACCO LAW ENFORCEMENT GRANT BUDGET DETAIL

SUMMARY

Budget Category	FY 2017-18	FY 2018-19	FY 2019-20	Total Request
A. Personal Services	\$ -	\$ 17,012	\$ 2,824	\$ 19,837
B. Operating Expenses	\$ -	\$ 2,399	\$ -	\$ 2,399
C. Equipment	\$ -	\$ -	\$ -	\$ -
D. Travel/Registration	\$ -	\$ -	\$ -	\$ -
E. Other Expenses	\$ -	\$ -	\$ -	\$ -
F. Administrative Costs	\$ -	\$ 851	\$ 141	\$ 992
TOTAL PROJECT COSTS	\$ -	\$ 20,262	\$ 2,966	\$ 23,228



CONSENT CALENDAR

Agenda Item # 5

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Approval of Street Shoulder Improvement Policy

Prepared by: Susanna Chan, Public Works Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. September 25, 2018 staff report
2. Street Shoulder Improvement Policy Detail

Initiated by:

City Council

Previous Council Consideration:

November 15, 2016, September 25, 2018

Fiscal Impact:

None at this time

Environmental Review:

In accordance with CEQA Guidelines Section 15378(b)(5), approval of the policy detail is not a project because it is an administrative activity that will not impact the environment.

Policy Question(s) for Council Consideration:

- Will the Council approve the Street Shoulder Improvement Policy?

Summary:

- The existing Shoulder Paving Policy was developed in 2001 through a thorough public review process
- In 2016, the Council directed staff to review the Policy to incorporate green infrastructure principles and address aesthetic concerns and supported the proposed changes recommended by the Environmental Commission
- Concerns have been raised by community members regarding the proposed 2016 changes
- Staff and the consultant have developed more options for consideration
- At the September 25, 2018 Study Session, Council directed staff to modify the policy so that it balances environmental benefits, pedestrian and bicyclist safety, street quality and longevity and cost

Staff Recommendation:

Approve Street Shoulder Improvement Policy



Subject: Approval of Street Shoulder Improvement Policy

Purpose

Approval of Street Shoulder Improvement Policy

Background

City Council reviewed the Shoulder Improvement Policy at its September 25, 2018 Study Session. At the meeting staff provided information on the development of the existing policy, the 2016 policy update, and current efforts to address concerns raised by residents and community groups.

Currently, the primary community concerns are that the 3-foot wide asphalt concrete (AC) swale in the policy does not capture and treat storm water and is not consistent with the preferred rural aesthetic of the City. In response to these community concerns, several permeable swale options were developed and presented to Council. Tradeoffs of these options were also discussed such as potential safety hazards to wheel chair users, bicyclists, and pedestrians; higher installation cost; and patchwork implementation potentially intensified by allowing too many options. After reviewing all the information and hearing public comments, Council directed staff to modify the policy so that it balances environmental benefits, pedestrian and bicyclist safety, street quality and longevity and cost. Council generally supported the proposed modifications to the policy which include specifying permeable materials for use in parking area and requiring installation of a green infrastructure (GI) feature, such as a rain garden or bioswale in the landscape area. Council preferred to retain the 3-foot AC swale in the policy and directed staff to build flexibility into the policy to allow the City to work with residents, if necessary.

The staff report for the September 25, 2018 Study Session is included as Attachment 1.

Discussion/Analysis

The Street Shoulder Improvement Policy Detail has been updated to reflect council directions. The Policy Detail includes:

- Specifications for permeable materials for use in parking areas,
- Requirement for installation of a GI feature,
- Flexibility for the City Engineer to address suggested routes to school and to work with residents on other issues if needed,
- Requirement for a 3-foot AC drainage swale, and
- Option to construct the drainage swale using permeable pavers only.

The revised Policy Detail is included as Attachment 2.



Subject: Approval of Street Shoulder Improvement Policy

Options

- 1) Approve the revised Street Shoulder Improvement Policy

Advantages: There will be a Street Shoulder Improvement Policy that reflects current Council directions

Disadvantages: None

- 2) Do not approve the revised Street Shoulder Improvement Policy and provide staff direction on next steps

Advantages: None

Disadvantages: The current Policy does not have GI requirements which provide stormwater benefits. The current Policy also does not address Suggested Routes to School issues and does not provide flexibility for staff to work with residents

Recommendation

The staff recommends Option 1.



STUDY SESSION

Agenda Item # 1

AGENDA REPORT SUMMARY

Meeting Date: September 25, 2018

Subject: Street Shoulder Improvement Policy

Prepared by: Susanna Chan, Public Works Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Existing Shoulder Paving Policy Detail
2. Shoulder Paving Policy Memorandum, dated November 2, 2016, prepared by NCE
3. Revised Policy Detail per 2016 update effort
4. Permeable swale options

Initiated by:

City Council

Previous Council Consideration:

November 15, 2016

Fiscal Impact:

None at this time

Environmental Review:

In accordance with CEQA Guidelines Section 15378(b)(5), this review is not a project because it is an administrative activity that will not impact the environment.

Policy Question(s) for Council Consideration:

- What are Council's priorities on implementing Street Shoulder Improvement Policy?

Summary:

- The existing Shoulder Paving Policy was developed in 2001 through a thorough public review process
- In 2016, the Council directed staff to review the Policy to incorporate green infrastructure principles and address aesthetic concerns and supported the proposed changes recommended by the Environmental Commission
- Concerns have been raised by community members regarding the proposed 2016 changes
- Staff and the consultant have developed more options for consideration

Staff Recommendation:

Receive a report on the Street Shoulder Improvement Policy and provide direction on next steps



Subject: Street Shoulder Improvement Policy

Purpose

Receive a report on the Street Shoulder Improvement Policy and provide direction on next steps.

Background

Approximately 37% (37 miles) of the streets in Los Altos do not have curbs and gutters along the edge of the street. These “unimproved” streets vary considerably in width and generally are dirt shoulders. Over the years, residents have modified the shoulder area (area between the edge of the paved roadway and the property line) in a variety of ways including paving the entire area with asphalt concrete (AC).

Shoulder Paving Policy Development

In April 2000, the City Council directed staff to develop a policy to address concerns about the negative appearance of large areas of AC and the environmental issue of creating more impervious surfaces. A significant effort was devoted to developing the policy, including the draft policy discussions at eight (8) Council meetings over a 20-month period, hiring a third-party consultant to review the draft policy, and forming a City Council Ad Hoc Subcommittee to review related issues. The environmental, aesthetic, safety, maintenance and enforcement issues related to the policy were thoroughly reviewed through this process. In November 2001, the Council accepted the Shoulder Paving Subcommittee’s recommendations and adopted the Shoulder Paving Policy. Since the adoption, the Council has considered the Policy on several occasions from 2009 to 2011 and made minor revisions to address public concerns.

According to the current Policy, the shoulder of a newly constructed residence or of a residence that has undergone a remodel of 50% or more of its square footage is required to be brought into compliance with current standards. The Policy has three main components, including a 3-foot wide AC drainage swale, a minimum 10-foot long landscape area and a 5-foot wide shoulder parking area with permeable surface if residents choose to install one. The current adopted Policy Detail is included as Attachment 1.

2016 Policy Update Effort

In 2016, the Council directed staff to revisit the Shoulder Paving Policy due to the following concerns raised from residents and community groups:

- Asphalt materials in the drainage swale and/or shoulder parking area are not consistent with the preferred rural aesthetic
- The Policy is inherently implemented in a patchwork distribution which has led to localized drainage issues
- Shoulder improvements do not capitalize on opportunities to capture and infiltrate runoff to maximize storm water benefits



Subject: Street Shoulder Improvement Policy

Following Council direction, staff retained NCE, a qualified environmental and engineering consultant firm, and engaged in discussion with the Environmental Commission to update the Shoulder Paving Policy. The Environmental Commission appointed a subcommittee to provide timely support and resources to staff and the consultant. Under the guidance and support of the subcommittee, the consultant developed the following recommendations:

1. Retain the specification for an AC drainage swale

The current policy specifies installation of a 3-foot wide AC drainage swale along the length of the property. To address concerns that the AC swale is not consistent with a rural aesthetic and does not provide storm water quality benefits, alternative materials for use in lieu of AC were considered. However, due to concerns associated with costs, maintenance and pedestrian safety, the final recommendation is to maintain the specification for a 3-foot wide AC drainage swale. Several clarifications are suggested regarding the AC swale, including clarifying the maximum width of 3 feet, specifying maximum cross slope of 5% and requiring directing flows into Green Infrastructure (GI) features.

2. Specify permeable materials for use in parking area

The current Policy specifies pervious pavers or compactable pervious material for the shoulder parking area. The recommendation is to detail which type of permeable materials are allowable. The recommended allowable materials include pervious concrete pavers, open cell concrete blocks, compacted aggregate base, and stabilized decomposed granite. These materials can help to capture and treat a portion of the storm water runoff, consistent with the desired aesthetic, and consistent with the City's Residential Design Guidelines. Pervious concrete and porous asphalt, which provide some storm water quality benefits, are not recommended due to long-term maintenance and aesthetic concerns. Details of the recommended materials are provided in Table 1 of the consultant report.

3. Require installation of a GI feature, such as rain garden or bioswale in the landscape area

Green Infrastructure is infrastructure that uses vegetation, soils and natural processes to manage storm water and create healthier urban environments. One of the goals of re-examining the Shoulder Paving Policy is to seek opportunities to incorporate current storm water management features into the Policy. The existing Policy specifies landscaping in areas adjacent to the shoulder parking area or driveway. It is recommended to require a GI feature, such as rain gardens or bioswales, be installed in the landscape area. The GI feature should be installed to allow runoff from the shoulder parking area and AC swale to enter this area and the overflow would discharge back into the AC drainage swale. It is recommended that the size of the GI feature be proportional to the length of the frontage for each property.



Subject: Street Shoulder Improvement Policy

GI features can help capture and treat a portion of storm water runoff and create additional landscape features that can add aesthetic value. Additionally, if a portion of the flows are directed to GI features for detention and infiltration, it would minimize the potential downstream localized drainage issues created by the inherent patchwork implementation of the Policy.

The consultant's report is included as Attachment 2.

At the time, these recommendations were reviewed and supported by the Environmental Commission and the Bicycle and Pedestrian Advisory Commission. On November 16, 2016, staff reported these recommended changes to the Council at a study session and the Council also supported the recommendations.

Discussion/Analysis

Staff has since worked on updating the Shoulder Paving Policy Detail to reflect the 2016 policy update effort and have presented the updated Detail to the Environmental Commission and the Complete Street Commission. The revised Policy Detail is included as Attachment 3.

Environmental Commission Review

On May 14, 2018, staff presented the revised Policy Detail to the Environmental Commission. All six members were present with one vacant position. The Environmental Commission received public comment, engaged in discussion, requested some fine-tuning to the Detail and requested staff to return with a revised version at the following meeting. On June 11, 2018, staff presented the revised Detail, now titled Street Shoulder Improvement Policy based on input from the Environmental Commission at its May 14, 2018 meeting. The four Commissioners present at the June meeting received public comments on the topic and discussed the policy in detail with staff. There was no recommendation and no consensus reached by the Commission members present. Each Commissioner provided a statement of his/her views about the Policy Detail and provided comments for staff to consider in the staff report to Council. The four Commissioner's comments included concern about preservation of the roadway infrastructure and one Commissioner supported the developed Detail with the rain garden and the 3-foot AC swale. Other Commissioners preferred more environmentally sustainable design, such as limiting the width of the swale as narrow as possible (less than 3 feet), allowing greater use of permeable material such as pavers as alternatives, or eliminating the 3-foot swale completely.

Complete Streets Commission Review

Both City Council and staff continue to receive comments from residents and community groups regarding the Policy, primarily focusing on the 3-foot AC swale. The concerns are that the 3-foot AC swale does not capture and treat storm water and is not consistent with the preferred rural aesthetic of the City.



Subject: Street Shoulder Improvement Policy

In response to public feedback, staff revisited the Policy Detail to look for opportunities to address their comments. One of the concerns of using permeable materials in the shoulder area is the potential of moisture getting underneath the pavement and overtime weakening the ability of the base rock to support the street. One option to address this concern is to install a small concrete water barrier between the pavement edge and the shoulder area. The water barrier will be leveled with street surface, so it does not pose a tripping hazard. The installation of this water barrier opens the possibilities of using permeable materials in the shoulder area. Staff directed the consultant to develop permeable swale options for consideration, including:

- Compacted Aggregate Base
- Permeable Concrete Pavers
- HDPE Paver
- Cellular Concrete Blocks

The details of these options are included in Attachment 4. Costs for the options range from \$90 to \$200 per linear foot. Property owners will be responsible for maintaining improvements in the shoulder. The City will make temporary repairs to paved shoulders that present an immediate safety hazard to the public, but the property owners are expected to complete the permanent repairs.

These options were presented to the Complete Streets Commission for their review at its August 22, 2018 meeting. Other options offered to the Commission for consideration included maintaining shoulder as unimproved, applying AC swale only on very narrow streets where the AC swale is the only refuge space for pedestrians or bicyclists, or keeping the AC swale as an across-the-board requirement in the Policy. GreenTown Los Altos was given the opportunity to provide a presentation at the meeting regarding their comments on the Policy.

Overall, the Commission was concerned about the potential safety hazards posed by the concrete barrier and permeable swale surfaces to wheel chair users, bicyclists and pedestrians. The Commission was also concerned about installation cost, potential liability and patchwork implementation intensified by allowing too many options. The majority of the Commissioners favored keeping the asphalt swale. Other comments from the Commissioners include:

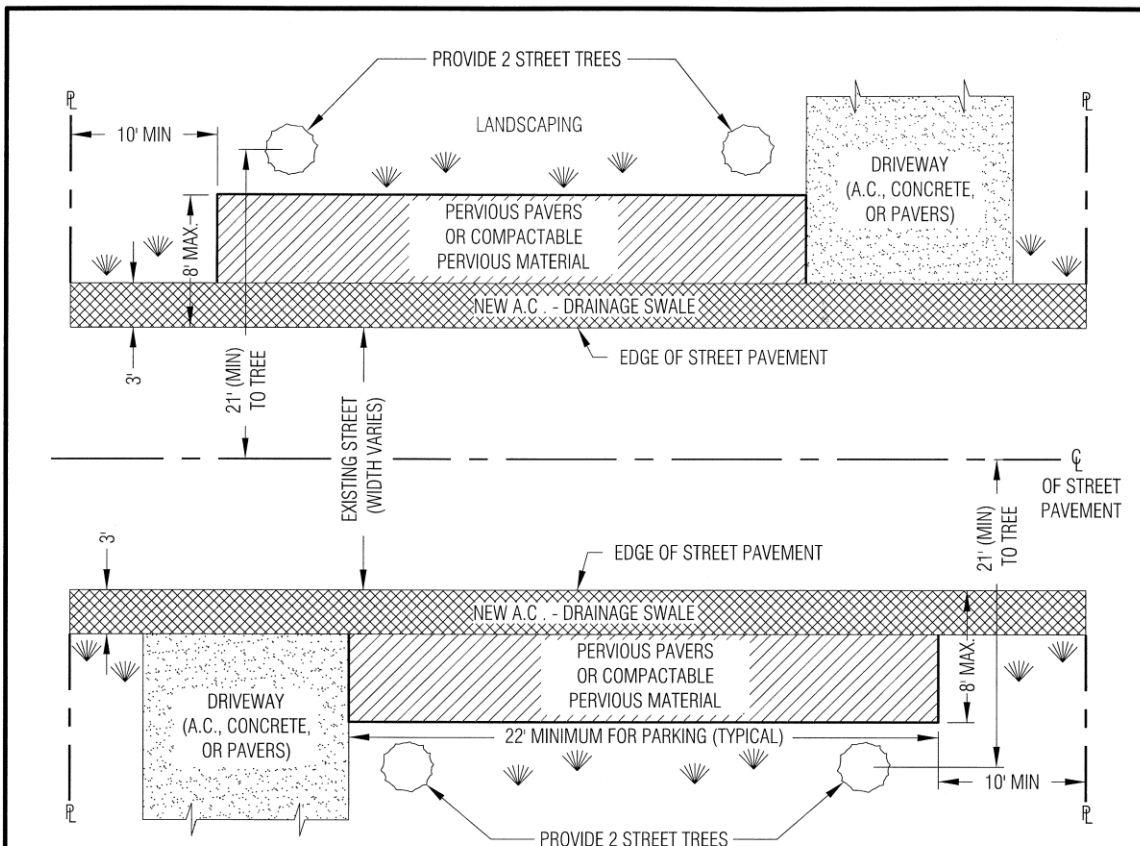
- Not all streets are equal; implementation of the Policy should consider other factors such as school routes, traffic volume, accident data, street dimensions and characteristics
- Suggested school route shoulders should be treated differently from non-school routes
- Consider separating the policy into two; one addresses the interface between City streets and private property and one addresses landscape and hardscape requirements in the shoulder areas



Subject: Street Shoulder Improvement Policy

Next Steps

A “complete street” should promote mobility and connectivity, enhance safety and security, and be sensitive to the environment and community values. With limited public right-of-way, often there is not enough space to accommodate all the community’s interests. Deciding what improvements to install on our streets requires careful evaluation and prioritization. Staff and the consultant have done a thorough review and analysis on the Street Shoulder Improvement Policy and offered potential options to address various community concerns. Staff is seeking Council direction on prioritizing various community interests and next steps to finalize the Policy.



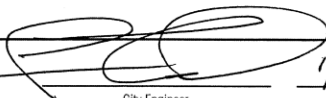
PLAN VIEW

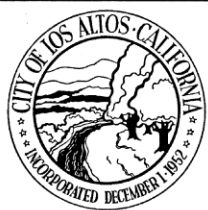
LEGEND:

- A.C. ASPHALT CONCRETE
- ℙ PROPERTY LINE
- ℄ CENTERLINE
- ☼ EXISTING OR NEW LANDSCAPING
- ⊙ STREET TREE (NEW OR EXISTING)
- ▨ NEW PERMEABLE SURFACE
- ▩ NEW A.C. - DRAINAGE SWALE

NOTES:

1. **IF THE STREET PAVEMENT WIDTH IS 36 FEET OR GREATER,** NO SHOULDER IMPROVEMENTS ARE PERMITTED WITH THE EXCEPTION OF LANDSCAPING AND IRRIGATION.
2. POLICY DOES NOT APPLY FOR REPAIRS, RESEALING, AND REPAVING IN KIND OF EXISTING SHOULDERS, NOR DOES IT REQUIRE THAT SHOULDERS MUST BE PAVED.
3. THE SHOULDER OF A NEWLY CONSTRUCTED OR 50% OR GREATER SQUARE FOOTAGE REMODELED RESIDENCE IS REQUIRED TO BE BROUGHT INTO COMPLIANCE WITH THIS POLICY.

Approved:  1/4/10
 City Engineer Date



REVISION	
Description	Date

ENGINEERING DIVISION	
SHOULDER PAVING POLICY	SU-20

STANDARD DETAILS MAY 2010

MEMORANDUM

Date: November 2, 2016
To: Susanna Chan, PE
From: Marcy Kamerath, CPSWQ, QSD/QSP, Franz Haidinger, PE
Subject: Los Altos Shoulder Paving Policy (Standard Detail SU-20, May 2010)

Background

The City of Los Altos has contracted with NCE to review and make recommendations for revising the City's current Shoulder Paving Policy (Policy) (Standard Detail SU-20, May 2010) (Appendix A) to address more recent concerns related to aesthetics, stormwater, and prescribed materials. In 2001 the City adopted the Policy with the primary goal to narrow streets, define the street edge, and provide traffic calming¹. The Policy specifies shoulder treatments for residential properties which must be installed for construction of a new residence or when 50% or more of the square footage of an existing residence is being remodeled.

The Policy has three main components, a 3-foot wide asphalt concrete (AC) drainage swale, and a 5-foot wide shoulder parking area with pervious pavers or compactable pervious material (at least 5 feet wide x 22 feet long), and a minimum 10-foot wide landscape area. In addition the Policy illustrates the addition of street trees, and location of existing or newly landscaped areas. The Policy does not apply if a homeowner is conducting repairs, resealing, and repaving in kind of existing shoulders. In addition, no shoulder improvements, other than landscaping and irrigation, are permitted on streets with a pavement width of 36 ft. or greater.

Review of Existing Information

To develop and recommend revisions to the Policy, which are outlined in this memorandum, NCE reviewed City Council reports and public concerns with the Policy; consulted with the City and Environmental Subcommittee; conducted a site visit; reviewed relevant stormwater manuals and design considerations; and qualitatively assessed alternative materials for use in the swale and parking areas.

¹ October 1, 2015 Agenda Item to Planning and Transportation Commission

The City Council has considered the Policy on several occasions² and from 2009 to 2011 made the following revisions to address public concerns regarding the Policy:

- Specified compactable materials in shoulder parking areas to address the concern that loose materials, such as bark or mulch can be transported onto public streets which can be unsafe for bicyclists or pedestrians, or could be transported into the storm drain system³
- Upheld the specification for an AC drainage swale to promote positive drainage to address concerns related to ponding along the street edge or adjacent properties³
- Required a minimum 8-foot wide shoulder parking area regardless of street travel lane widths in order to maintain shoulder parking on narrow streets (i.e., street pavement width less than 36 feet)⁴
- Did not permit shoulder improvements, other than landscaping and irrigation, on the widest streets in Los Altos (i.e., streets with travel lanes of 36 feet or greater) to address concerns about the visual widening of streets⁴

More recently, residents and community groups have expressed the following concerns with the Policy:

- Asphalt materials in the drainage swale and/or shoulder parking area are not consistent with the City's preferred rural aesthetic
- The policy is inherently implemented in a patchwork distribution which has led to localized drainage issues
- Shoulder improvements do not capitalize on opportunities to capture and infiltrate runoff to achieve stormwater benefits
- Limited information and specificity on what compactable materials can be used in the shoulder parking area may result in use of materials that are not consistent with a rural aesthetic or create drainage related issues

Consultation with City, Subcommittee, and Site Visit

Following review of the Policy and associated public concerns, NCE met with the City and Environmental Subcommittee on July 8th, 2016 to discuss the goals of the Policy, review public concerns, and identify opportunities to clarify and improve the Policy. To find examples of existing shoulder paving practices, NCE searched for similar requirements from adjacent municipalities but found that no shoulder paving policies or standard specifications existed for shoulder improvements in residential

² November 13, 2001, January 27, 2009, February 24, 2009, March 10, 2009, March 24, 2009, December 8, 2009, March 22, 2015, and October 25, 2015

³ March 22, 2011 City Council Agenda Report

⁴ March 24, 2009 City Council Agenda Report

areas within the neighboring communities of the City of Los Altos Hills, Palo Alto, or Atherton. Based on the review of concerns and consultation with the City and Subcommittee, it was determined that a preferable revised Policy would uphold Policy requirements which address prior concerns, but also include new revisions which would result in a Policy that 1) specifies materials which are more consistent with the City's rural aesthetic and 2) can capitalize on opportunities to capture or infiltrate some stormwater runoff, where feasible⁵.

On July 27th, 2016, NCE conducted a site visit to locations selected by the City, in consultation with the Environmental Subcommittee. This included 10 residences where the Policy had been implemented⁶ in various ways and 2 locations where green infrastructure (GI) practices had been implemented to address post construction runoff⁷. Green infrastructure consists of rain gardens, bioswales, infiltration trenches, and other site design features which are sized to capture, store, and/or infiltrate a portion of stormwater runoff on-site, rather than conveying stormwater flows through conventional pipe and drainage swales to a central storm drain collection system. Observations from the site visit helped to characterize concerns, identify site constraints, observe typical street conditions, and identify opportunities to improve the Policy.

One prominent concern observed during the site visit is that misinterpretation of the Policy appears to result in AC being used in the shoulder parking area which creates a visual widening of the street (**Figure 1**). In some cases this increased the pavement width by up to 30%. Clarifying the Policy to specify which materials are suitable for use in the drainage area and shoulder parking area could improve implementation of the Policy and help address concerns related to aesthetics. In addition, the City recently improved its plan inspection and review procedures for implementation of the Shoulder Paving Policy which should help to minimize misinterpretation of the Policy.

A second concern is erosion occurring along shoulders where a swale is absent or not installed in a way to promote positive drainage. Clarifying the Policy to specify slopes for the drainage swale and parking area could improve drainage issues where the Policy is being implemented.

⁵ Quantification of runoff reduction or runoff quality is not addressed under the current scope of work

⁶ 176 and 196 Angela Drive; 284 Frances Drive; 33 Yerba Buena Avenue; 225, 229, and 237 Del Monte Avenue; 610, 789, 932 Parma Way; Parma Way and Harrington Avenue

⁷ Packard Foundation, on 2nd Street between Whitney and Lyell Streets; and Homestead and Grant Road to the City Limit

A third concern validated during the site visit was the presence of loose materials in the roadway and in downstream storm drain facilities where decomposed gravel or granite was adjacent to the pavement edge.

One opportunity identified in the field is the option to include Green Infrastructure (GI) features, such as a rain garden or bioswale, into landscaped areas. Example details and photographs of GI features are shown in **Appendix B**.

Based on site observations, connecting GI features with an underdrain to existing storm drain infrastructure will not be viable at most properties. Therefore GI features, if installed at locations without nearby storm drain infrastructure, should be designed to allow stormwater flows into and out of the GI feature. Overflows would be routed back to the drainage swale. An example of a flow-through GI feature was observed on 2nd Street (**Figure 2**). While curb and gutter would not be present when applying a rain garden as part of the Policy, this provides an example of an inflow and outflow which allows stormwater flows to be routed through the GI feature so a portion of flows can be captured, infiltrated, and excess flows are routed back to a conveyance feature (i.e., curb and gutter, or drainage swale).





Figure 1 - Asphalt used in shoulder parking and drainage swale area (NCE)

Other observations from the site visit worth noting include:

- Shoulder conditions vary widely on either side of properties that have implemented the Policy (e.g., asphalt, gravel, bare dirt)
- Stormwater conveyed from hardscape surfaces may collect and cause ponding, or erosion of unimproved shoulder areas
- Due to the patchwork implementation of the Policy and various shoulder conditions that will occur, some localized drainage issues will persist despite clarifications made to the Policy
- Potentially shallow underground utilities exist at several properties
- Due to presence of overhead powerlines along the frontage of some properties, engineering staff may grant exceptions regarding the planting requirement of street trees



Figure 2- Example Rain Garden on 2nd Street, Los Altos (NCE)



Recommended Revisions to the Policy

Based on known public concerns with the Policy, site visit observations, consultation with the City and Subcommittee, and NCE's qualitative assessment of alternative pavements, NCE developed three recommended revisions which are illustrated in **Figure 3** and discussed in detail below.

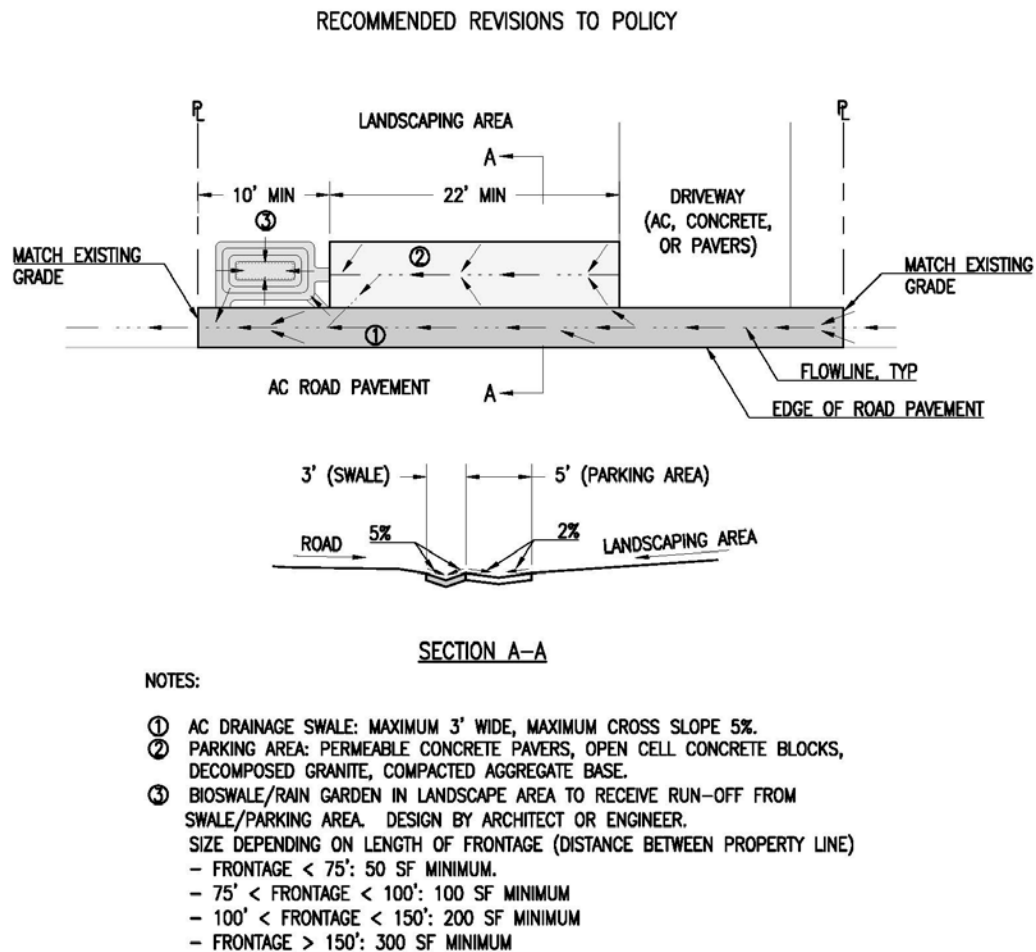


Figure 3 - Recommended revisions to the Policy

1. Retain the Specification for an AC Drainage Swale

Description: The current Policy specifies installation of a 3-foot wide AC drainage swale along the length of the property. To address recent concerns that the AC drainage swale is not consistent with a rural aesthetic or does not provide a stormwater quality benefit, the Environmental Subcommittee considered the use of

alternative materials for use in lieu of AC. However, due to concerns associated with costs, maintenance, and pedestrian safety, the final recommendation is to maintain the specification for a 3-foot wide AC drainage swale along the frontage of the property. For the purpose of this memorandum, the frontage is defined as the line where the property meets the street right of way.

Three clarifications should be made regarding the AC drainage swale. First, the policy should emphasize and clarify that the maximum width of the AC drainage swale to be installed is limited to 3-feet. The length of the AC drainage swale will be dictated by the length of the frontage of a given property. Second, the AC drainage swale should be installed with cross slopes that are a maximum of 5% to promote positive drainage, while considering accessibility recommendations. Finally, the AC swale should be installed so that stormwater flows are conveyed to the permeable parking area and Green Infrastructure (GI) features (e.g. bioswale or rain garden), and excess runoff is conveyed from these features back to the AC drainage swale.

2. Specify Permeable Materials for use in Parking Area

Description: The current Policy specifies pervious pavers or compactable pervious material for the shoulder parking area. The recommendation is to detail which type of permeable materials are allowable. Permeable materials suitable for use in the parking area include permeable pavers, open cell concrete blocks, compacted aggregate base, and compacted and stabilized decomposed granite. Porous asphalt or pervious concrete will not be allowed as these materials negatively impact aesthetics and require specialized maintenance (i.e. vacuuming) to sustain their permeability introducing additional costs. **Table 1** summarizes the permeable materials recommended for use in the parking area.



Table 1. Alternative Pavement Materials

Alternative Pavement Materials for Parking Area	Considerations					
	Structurally Adequate for Parking	Impacts on Adjacent Road Condition	Cost	Maintenance Needs	Stormwater Capture	Aesthetic
<p>Permeable Concrete Pavers and Open Cell Concrete Blocks Concrete paver blocks both solid and gridded systems (with open cells for aggregate, gravel, or grass) have been developed in a large variety of shapes, textures, patterns, and colors. The concrete pavers and open cell blocks are installed with gaps filled with sand and open cells that can vary in size, based on block type, that is filled in with aggregate, gravel, or grass, allowing water to enter the subgrade. Open cell concrete blocks can be installed over a bedding course. Further water reservoir capacity can be added by installing open graded base and then stone subbase (optional underdrain), with geotextile on bottom and sides. Typically an edge constraint is installed at the perimeter of the pavers or locations subject to lateral loading. Minimum subgrade excavation depth required is approximately 8-12 inches, but can be greater in depth if additional reservoir capacity is required. A vertical barrier can be installed along the edge of concrete pavers to help prevent water infiltration into the subgrade of adjacent road structure.</p>	Yes	<ul style="list-style-type: none"> Impacts to adjacent pavement subgrade reduced if vertical treatment is installed (e.g., concrete wall and fabric) 	<ul style="list-style-type: none"> High, requires specialty contractor 	<ul style="list-style-type: none"> Moderate and infrequent, may require cleaning to maintain permeability Maintenance needs vary depending on gap size between pavers. Small gaps may require specialized vacuum equipment to sustain permeability Grass filled open cell concrete blocks may require mowing 	<ul style="list-style-type: none"> Allows stormwater infiltration but degree of infiltration and stormwater capture can vary greatly depending on subgrade characteristics and thickness of aggregate reservoir materials 	<ul style="list-style-type: none"> Different colors and patterns exist which can be specified further to meet desired aesthetic Gridded system can be installed with grass or gravel with gridded system
<p>Compacted Aggregate Base (AB) 1-1/2 inch or 3/4 inch Class 2 Aggregate Base (6 inches thick on compacted native soil)</p>	Yes with maintenance	<ul style="list-style-type: none"> AB can be loosened by vehicles and from water erosion and will require sweeping off of roadside swale Impacts to adjacent pavement subgrade reduced if edge treatment is installed (e.g., geotextile fabric) 	<ul style="list-style-type: none"> Low to Moderate 	<ul style="list-style-type: none"> Simple but frequent sweeping of loose material off roadway and replacing lost AB where eroded May require maintenance and cleaning of downstream storm drain inlets 	<ul style="list-style-type: none"> Allows stormwater infiltration but degree of infiltration and stormwater capture can vary greatly depending on subgrade characteristics 	<ul style="list-style-type: none"> May be consistent with aesthetic, but washout of AB into AC swale and road is possible
<p>Compacted Stabilized Decomposed Granite (DG) Small sized granite aggregate mixed with a stabilizing agent and compacted and placed over existing permeable surfaces and 6 inches of aggregate base if subgrade is less suitable. Minimum subgrade excavation required is approximately 8-12 inches, but can be greater in depth if additional reservoir capacity is considered. DG layer shall be minimum 4 inches thick.</p>	Yes with maintenance	<ul style="list-style-type: none"> DG can be loosened by vehicles and from water erosion and will require sweeping off of roadside swale Impacts to adjacent pavement subgrade reduced if edge treatment is installed (e.g., geotextile fabric) 	<ul style="list-style-type: none"> Low to Moderate 	<ul style="list-style-type: none"> Simple but frequent sweeping of loose material off roadway and replacing lost DG where eroded May require maintenance and cleaning of downstream storm drain inlets 	<ul style="list-style-type: none"> Allows stormwater infiltration but degree of infiltration and stormwater capture can vary greatly depending on subgrade characteristics 	<ul style="list-style-type: none"> May be consistent with aesthetic, but washout of DG into AC swale and road is possible

Rationale: The Policy appears to be misinterpreted in some locations and the installation of AC in the parking area has a significant street-widening effect (e.g., Figure 1). Permeable materials can help to capture and treat a portion of stormwater runoff, and are more consistent with the desired aesthetic. Based on a qualitative review, pervious concrete pavers, open cell concrete blocks, compacted aggregate base, and stabilized decomposed granite are recommended for use in the parking area. While several alternatives exist, these materials are recommended because they are consistent with the desired rural aesthetic. In addition, these recommended materials are consistent with the City of Los Altos' Residential Design Guidelines, which suggest that residents consider paving materials other than plain concrete or asphalt. For driveways, the guidelines suggest the use of brick pavers, stone, gravel, interlocking pavers, and exposed aggregate, and special concrete for to provide visual interest⁸. These permeable materials provide some stormwater benefits, and are available in multiple color, texture, and patterns which the City can further specify to meet a desired aesthetic (**Figures 4 and 5**).

Important Considerations:

- Use of AC, porous AC and pervious concrete should be prohibited for use in the parking area to address aesthetic concerns
- Installation of permeable concrete pavers will require excavation into the subgrade to create storage for stormwater runoff and to match existing grades at the property line
- Existing clay soils are likely to occur in subgrade within the City of Los Altos and will limit infiltration capacity
- Maintenance requirements vary among permeable paver types. Material with smaller pore sizes may require a specialized vacuum truck
- Where utility conflicts or other factors, such as cost, prohibit the use of permeable pavers, decomposed granite or aggregate base provide a lower cost option that is consistent with the desired aesthetic
- Decomposed granite and aggregate base can be stabilized if there are significant concerns regarding rutting, or migration of loose materials into the AC drainage swale, roadway, or storm drains but still require periodic maintenance

⁸ City of Los Altos. Single-Family Residential Design Guidelines: New Homes & Remodels. p. 19.



Figure 4 - Permeable concrete pavers with lateral edge confinement adjacent to road (NCE)

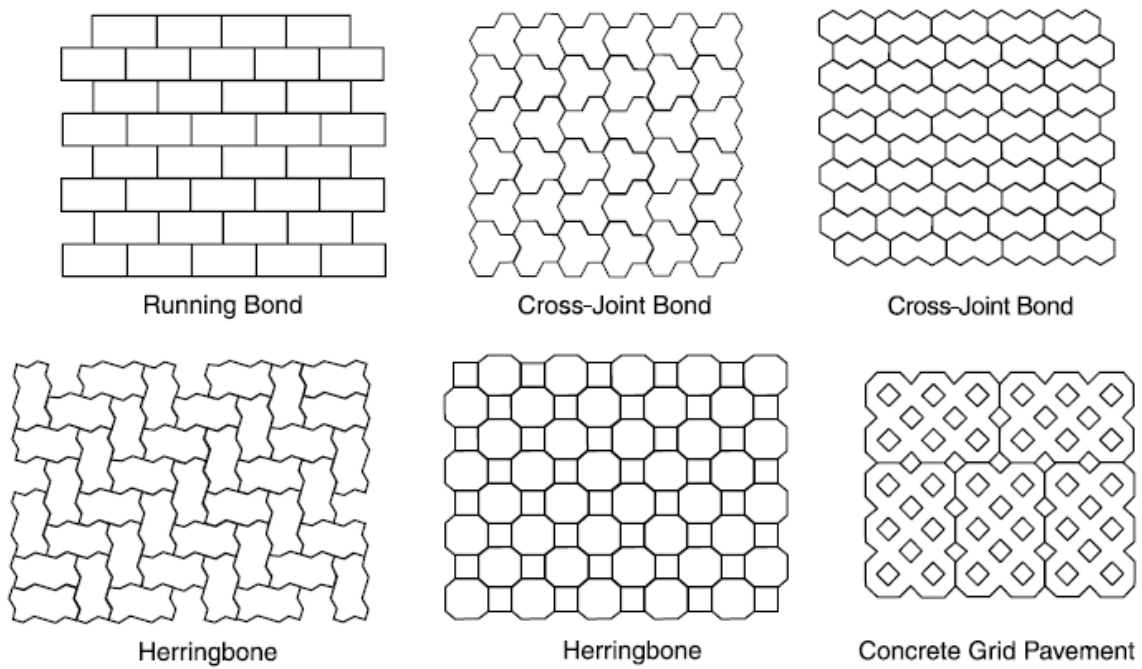


Figure 5 - Various patterns for installation of permeable concrete pavers (Interlocking Concrete Pavement Institute, 2004)

3. Require Installation of a GI Feature, such as Rain Garden or Bioswale in Landscape Area

Description: The current Policy specifies existing or new landscaping in areas adjacent to the shoulder parking area or driveways. Where shoulder parking area requirements are met, a GI feature, such as rain gardens or bioswales, shall be installed. These rain gardens or bioswales should be installed to allow runoff from the shoulder parking area and AC swale to enter this GI feature. Depending on existing storm drain infrastructure within the right of way, underdrains and bioswale overflows could be installed and connected to the existing storm drain system. Where there is no storm drain infrastructure in close proximity to these drainage features the overflow would discharge back into the AC drainage swale similar to the landscaped shoulders on 2nd Street between Whitney and Lyell Streets.

The sizing of the GI feature shall be dependent on the length of the frontage for each property. A query of the City's GIS system regarding the length of frontage showed that 18% of all parcels in the City have a frontage that is up to 75 feet long, 61% of all parcels in the City have a frontage that is between 75 feet and 150 feet long, and 21% of all parcels in the City have a frontage that is 150 feet or longer.

Based on the length of the frontage the following criteria for sizing a GI feature shall be considered by the Architect or Contractor:

- For parcels with a frontage shorter than 75 feet, the GI feature shall have a minimum area of 50 square feet
- For parcels with a frontage that is between 75 feet and 100 feet long, the GI feature shall have a minimum area of 100 square feet
- For parcels with a frontage that is between 100 feet and 150 long, the GI feature shall have a minimum area of 200 square feet
- For parcels with a frontage that is greater than 150 long, the GI feature shall have a minimum area of 300 square feet

A GI feature with an area of 100 square feet or more and a depth of 2.5 feet was selected, using volume-based sizing criteria, to correlate the GI treatment capacity to a stormwater event (the assumptions, calculations, and estimated construction cost are included in **Appendix C**). From these calculations it can be estimated that;

- A rain garden/bioswale with an area of approximately **100 square feet** and a depth of 2.5 feet (which consists of 1 foot thick gravel layer and a 1.5 foot thick engineered soil layer) may be able to retain the runoff originating from

half the road width in front of the property resulting from the **2-year, 15-min storm (approximately 0.25 inches rainfall depth)**

- A rain garden/bioswale with an area of approximately **200 square feet** and a depth of 2.5 feet (which consists of 1 foot thick gravel layer and a 1.5 foot thick engineered soil layer) may be able to retain the runoff originating from half the road width in front of the property resulting from the **2-year, 1-hour storm (approximately 0.5 inches rainfall depth)**
- A rain garden/bioswale with an area of approximately **300 square feet** and a depth of 2.5 feet (which consists of 1 foot thick gravel layer and a 1.5 foot thick engineered soil layer) may be able to retain the runoff originating from half the road width in front of the property resulting from the **10-year, 1-hour storm (approximately 0.7 inches rainfall depth)**

It should be noted that a 300 square foot rain garden/bioswale approximately provides the volume to treat the C.3 water quality design volume related to the impervious road area in front of a residence.

Rationale: GI features can help to capture and treat a portion of stormwater runoff and create additional landscape features that can add aesthetic value. If a portion of flows are directed to GI features these recommended revisions can assist the City with implementing applicable requirements in the Municipal Regional Permit (MRP). Provision C.3.i. of the MRP requires development projects for detached single-family home projects which create or replace between 2,500-10,000 square feet of impervious surface, to implement site design measures which will direct stormwater runoff from impervious surfaces to permeable or vegetated surfaces.

Important Considerations:

- Not all locations will be suitable for rain gardens or bioswales due to presence of utilities, high slopes (e.g. >12%), dense canopy cover, conditions on neighboring properties, or size limitations.
- Rain gardens must not contain ponded water for more than 48-72 hours for vector control; it is preferable to install a rain garden or bioswale that exhibits no ponding water by filling the GI feature with gravels and engineered soil that provide sufficient pore space for water storage
- Rain gardens should be installed such that excess flows are routed to the AC swale.
- Implementation and design of these GI features may have to be considered and assessed by the Architect or Contractor working on the new construction or remodeling project.

Additional Clarifications to Policy

Clarifications which could improve the Policy are included in **Figure 3** and include the following:

- Flow routing – Flow paths are presented in Figure 3 to provide clarification and guide contractors implementing the shoulder improvements. Constructing improvements consistent with the illustrated flow paths will promote positive drainage through the swale, allow the shoulder parking area to receive and capture some runoff, and route excess flows to the drainage swale.
- Specify slopes for drainage swale and shoulder parking area – A typical cross section specifies a 5% slope for the drainage swale to promote positive drainage away from the roadway. A 2% slope is specified for the parking area to promote positive drainage to landscaped areas where they are installed downgradient from the parking area, and/or to convey excess flows which do not infiltrate into the shoulder parking area into the drainage swale.
- Match existing grades – To reduce drainage issues associated with planned improvements, the Policy should specify that the up and downstream limit of improvements must match existing grade.

Conclusion

Recent feedback from residents and community groups prompted the City of Los Altos to revisit the Shoulder Paving Policy and make recommendations to address aesthetic concerns and, where possible, to achieve stormwater benefits. The recommendations presented in this memo reflect implicit trade-offs including: aesthetics, cost, stormwater benefits, and maintaining existing uses of the road shoulder.

A recommendation was made to confine the installation of AC to 3 feet so as to minimize impacts on aesthetics, while still providing stormwater conveyance and a defined shoulder which is sometimes used by pedestrians and cyclists. Second, alternative pavement materials were recommended in the parking area to be consistent with a rural aesthetic and to be structurally adequate for parking. Lower cost materials provide an alternative to residents, though may have as great of a stormwater benefit as permeable pavers. Finally, to capitalize on opportunities to achieve stormwater benefits, a recommendation was made to require the installation of GI features which can help to capture and treat a portion of stormwater flows. Stormwater benefits achieved with the GI features will certainly vary in practice because the upstream and downstream conditions of a given residence will vary. However some estimates of stormwater benefits are made in

this memo based on the runoff which would come from the frontage of a median size property to provide a relative comparison of potential stormwater benefits.

This memo was prepared and reviewed by the Environmental Commission and it's Subcommittee and has been revised for review and consideration by City Council. There are several considerations and constraints which are important to consider prior to adopting revisions to the Policy and several were highlighted above, although this is not an exhaustive list of considerations. All recommendations were based on a limited sample size at representative field locations, as determined by the City, and do not constitute a review of the entire street network, and therefore may not capture all variations of street and shoulder conditions. Engineering staff may make exceptions to the Shoulder Paving Policy and these additional recommendations where site constraints exist. Before adopting the revised Policy the City may want to consider the implementation of a pilot project to evaluate implementation and cost implications of the recommendations discussed in this memo.

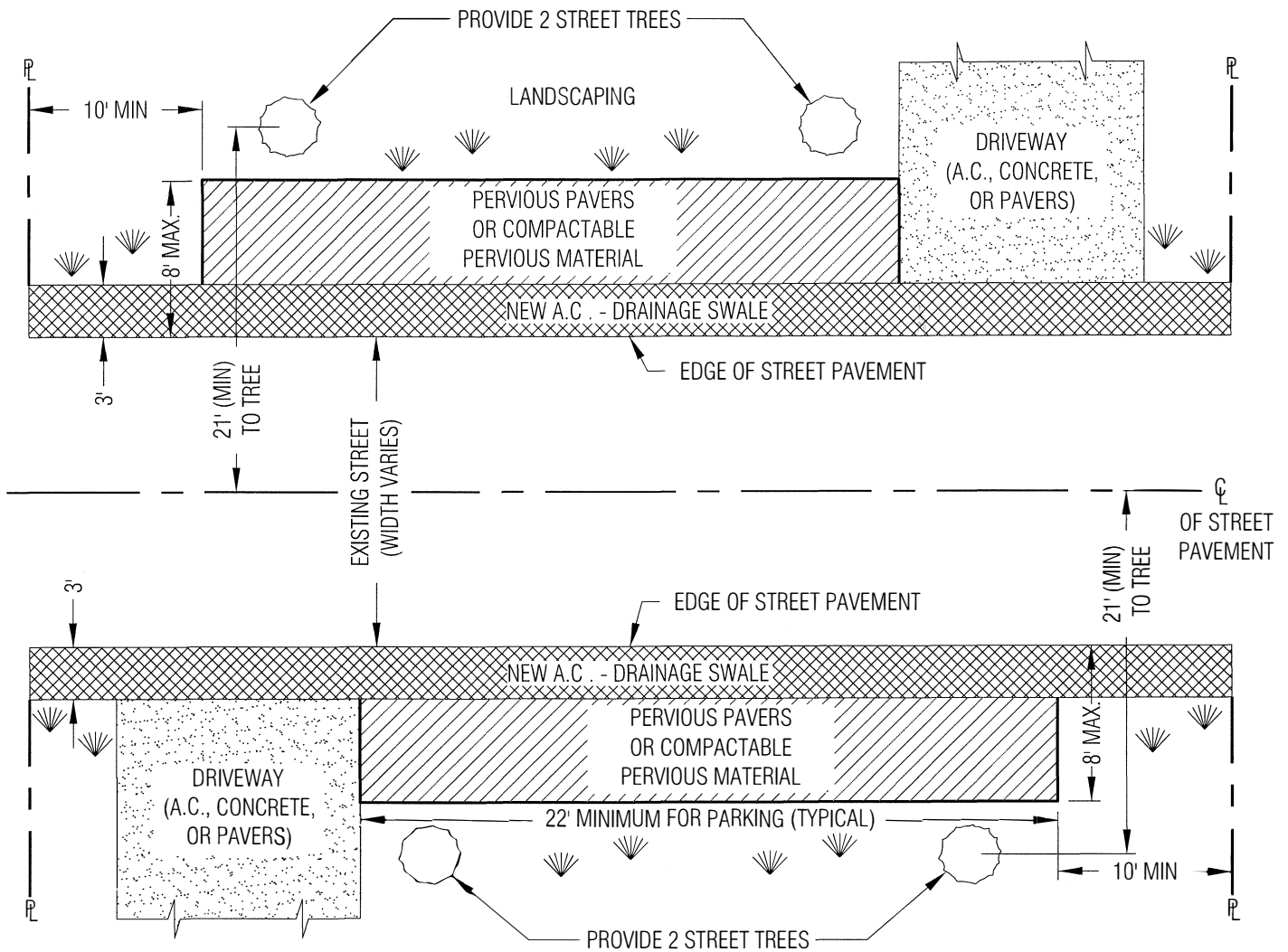




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Appendix A

CITY OF LOS ALTOS SHOULDER PAVING POLICY - STANDARD DETAIL SU-20, MAY 2010



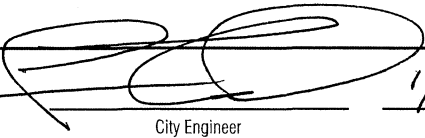
PLAN VIEW

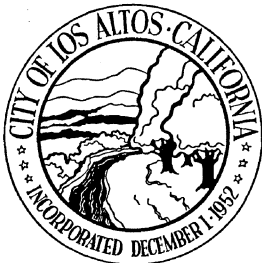
LEGEND:

- A.C. ASPHALT CONCRETE
- ℙ PROPERTY LINE
- ℄ CENTERLINE
- Existing or new landscaping
- Street tree (new or existing)
- New permeable surface
- New A.C. - drainage swale

NOTES:

1. **IF THE STREET PAVEMENT WIDTH IS 36 FEET OR GREATER,** NO SHOULDER IMPROVEMENTS ARE PERMITTED WITH THE EXCEPTION OF LANDSCAPING AND IRRIGATION.
2. POLICY DOES NOT APPLY FOR REPAIRS, RESEALING, AND REPAVING IN KIND OF EXISTING SHOULDERS, NOR DOES IT REQUIRE THAT SHOULDERS MUST BE PAVED.
3. THE SHOULDER OF A NEWLY CONSTRUCTED OR 50% OR GREATER SQUARE FOOTAGE REMODELED RESIDENCE IS REQUIRED TO BE BROUGHT INTO COMPLIANCE WITH THIS POLICY.

Approved:  1/4/10
 City Engineer Date



REVISION	
Description	Date

ENGINEERING DIVISION	
SHOULDER PAVING POLICY	SU-20



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Appendix B

GREEN INFRASTRUCTURE EXAMPLE DETAILS AND PHOTOGRAPHS

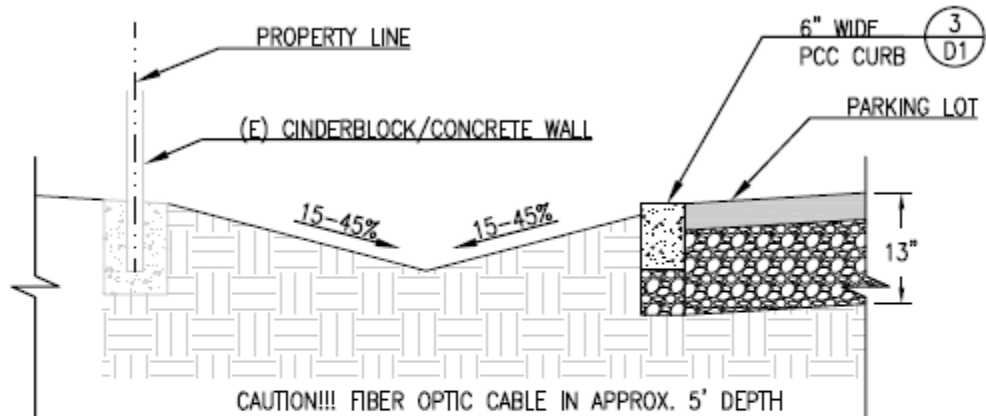
Engineering & Environmental Services

www.ncenet.com

APPENDIX B: Green Infrastructure Example Details and Photographs

EXAMPLE 1. GREEN INFRASTRUCTURE FEATURE WITHOUT UNDERDRAIN, FAIRFIELD, CA

Cross Section Detail



NOTES;

1. PLANTING AND SOIL PREPARATION PER SPECIFICATIONS.

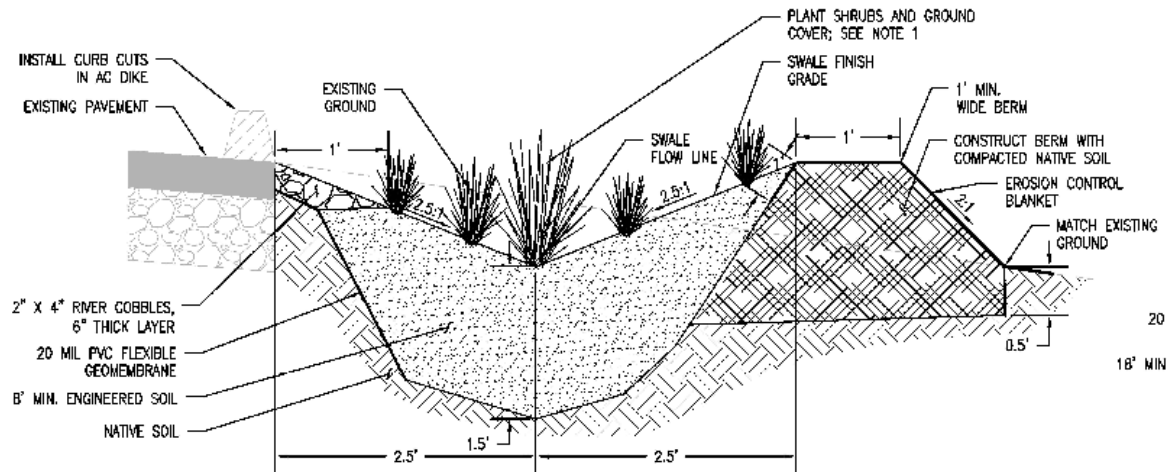
Post Construction



APPENDIX B: Green Infrastructure Example Details and Photographs

EXAMPLE 2. GREEN INFRASTRUCTURE FEATURE WITH ENGINEERED SOIL AND NO UNDERDRAIN, ORINDA, CA

Cross Section Detail



A
CB
SWALE CROSS SECTION A
N.T.S.

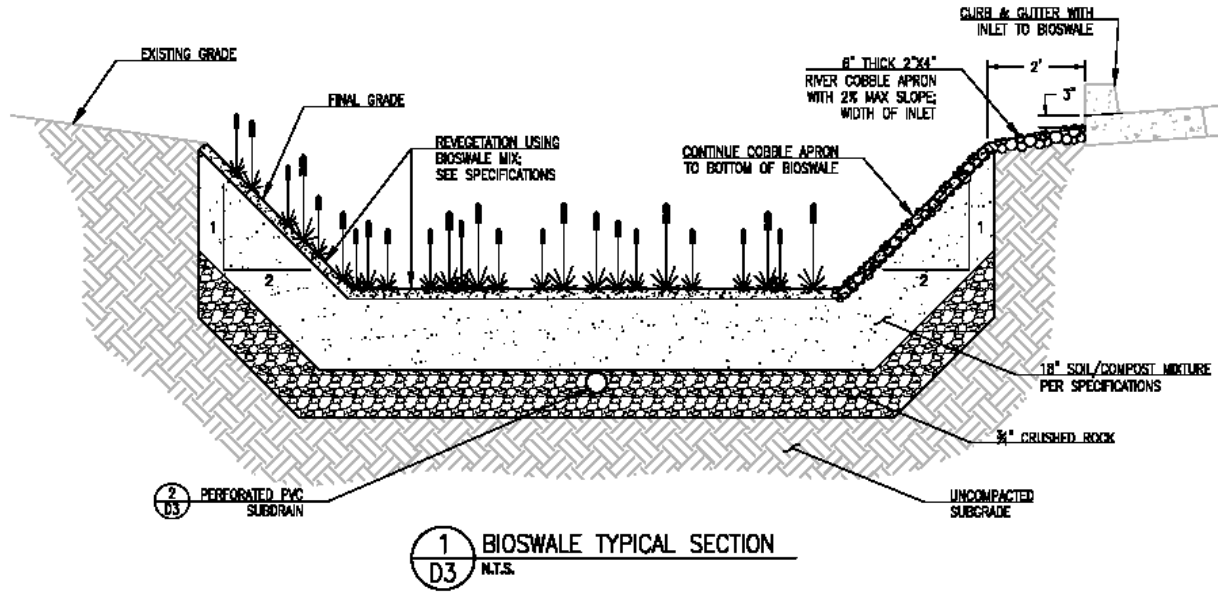
Under Construction



APPENDIX B: Green Infrastructure Example Details and Photographs

EXAMPLE 3. GREEN INFRASTRUCTURE FEATURE WITH ENGINEERED SOIL AND UNDERDRAIN CONNECTION TO STORM DRAIN SYSTEM, PLEASANT HILL, CA

Cross Section Detail



Post Construction





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Appendix C

RAIN GARDEN/BIOSWALE SIZING AND ESTIMATED STORMWATER CAPTURE

Los Altos Shoulder Paving Policy
Rain Garden/Bioswale Sizing Considerations and Estimated Stormwater Treatment Benefit

Determine size for rain garden/bioswale using volume-based sizing criteria and correlate to a stormwater event:

Storm water runoff from the roadway being conveyed in the AC swale shall be directed into a rain garden/bioswale.

Assume that runoff from half the road width in front of a property shall be directed to the bioswale to be retained; runoff from upstream areas may flow through or by the rain garden/bioswale without retention.

Contributing area calculation:

Average width of properties:	100 ft
Average width of road:	30 ft
<hr/>	
Contributing area to rain garden/bioswale (half the road width):	1500 sf

Selected reported rainfall depth and volume calculation (NOAA Atlas 14):

The **1-year, 6-hour** storm results in approx. **1 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **125 cf**

The **10-year, 1-hour** storm results in approx. **0.7 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **91 cf**

The **2-year, 1-hour** storm results in approx. **0.5 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **63 cf**

The **2-year, 15-min** storm results in approx. **0.25 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **31 cf**

Rain garden/bioswale geometry:

Average space/length for rain garden/bioswale:	10 ft	(assumes that the property is 90 to 100 feet wide, 24-foot wide driveway, 22 feet for parking if desired, and about 15 feet of buffer between driveway and property line and bioswale and property line)
Average width for rain garden/bioswale:	10 ft	
<hr/>		
Rain garden/Bioswale Area:	100 sf	
Average total depth of rain garden/bioswale:	2.5 ft	
Pore space of lower 1-foot thick gravel layer	30%	
Pore space of 1.5-foot thick engineered soil layer	10%	
Side slopes (basin is filled with gravel and soil)	1:1	
Assumes rain garden/bioswale has no underdrain and no open water surface		

Raingarden/bioswale storage volume calculation:

Total cross sectional area	18.75 sf
Cross sectional area of bottom foot (gravel)	6 sf
Cross sectional area of top 1.5 feet (engineered soil)	12.75 sf
<hr/>	
Total storage volume over length for bottom foot (gravel)	18 cf
Total storage volume over length for top 1.5 feet (engineered soil)	12.75 cf
<hr/>	
Total Storage Volume	30.75 cf
Corresponding rainfall depth	0.25 inches

Conclusion: A rain garden/bioswale with an area of approximately 100 square feet and a depth of 2.5 feet may be able to retain the runoff originating from half the road width in front of the property resulting from the 2-year, 15-min storm (approximately 0.25 inches rainfall depth)

Estimate probable construction cost for rain garden/bioswale:

Cost for constructing rain gardens/bioswales may range from \$100 to \$200 per square yard depending on site constraint and materials used

An approximately 100 square foot rain garden/bioswale may cost between **\$1,500 to \$2,500**. It shall be noted that these are budgetary numbers and more representative cost can only be provided based on detailed design of rain gardens/bioswales.

C.3 Stormwater Handbook Considerations:

The parameters, values and calculation shown below are consistent with volume-based sizing criteria for treatment measures of the C.3 Stormwater Handbook. The drainage area represents half the road width in front of a 100-foot wide property. It shall be noted that it is not the intent to size the rain garden/bioswales according to C.3 guidelines. This calculation is merely an exercise to see how a rain grade/bioswale in the frontage of a private residence compares to C.3 guidelines.

Drainage Area	A=	1500 sf
Percent Impervious		100%
Mean Annual Precipitation (C.3; Appendix B, Figure B-1)	MAP=	17 inches
Reference Rain Gage Precip Palo Alto (C.3; Table 5-2)	MAPref=	13.7 inches
Rain Gage Correction Factor	Cf=MAP/MAPref=	1.24
Soil Type (C.3; Appendix B, Figure B-1)		Clay Loam (D)
Average Slope		1%
Unit Basin Storage Volume (C.3; Appendix B, Figure B-3)	Usv=	0.62 inches
<hr/>		
C.3 Water Quality Design Volume	WQv = A * Cf * Usv =	96 cf

Conclusion: A 300 sf rain garden/bioswale approximately provides the volume to treat the C.3 water quality design volume related to the impervious road area in front of a residence.

Los Altos Shoulder Paving Policy
Rain Garden/Bioswale Sizing Considerations and Estimated Stormwater Treatment Benefit

Determine size for rain garden/bioswale using volume-based sizing criteria and correlate to a stormwater event:

Storm water runoff from the roadway being conveyed in the AC swale shall be directed into a rain garden/bioswale.

Assume that runoff from half the road width in front of a property shall be directed to the bioswale to be retained; runoff from upstream areas may flow through or by the rain garden/bioswale without retention.

Contributing area calculation:

Average width of properties:	100 ft
<u>Average width of road:</u>	<u>30 ft</u>
Contributing area to rain garden/bioswale (half the road width):	1500 sf

Selected reported rainfall depth and volume calculation (NOAA Atlas 14):

The **1-year, 6-hour** storm results in approx. **1 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **125 cf**

The **10-year, 1-hour** storm results in approx. **0.7 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **91 cf**

The **2-year, 1-hour** storm results in approx. **0.5 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **63 cf**

Rain garden/bioswale geometry:

Average space/length for rain garden/bioswale:	20 ft	(assumes that the property is 90 to 100 feet wide, 24-foot wide driveway, 22 feet for parking if desired, and about 15 feet of buffer between driveway and property line and bioswale and property line)
<u>Average width for rain garden/bioswale:</u>	<u>10 ft</u>	
Rain garden/Bioswale Area:	200 sf	
Average total depth of rain garden/bioswale:	2.5 ft	
Pore space of lower 1-foot thick gravel layer	30%	
Pore space of 1.5-foot thick engineered soil layer	10%	
Side slopes (basin is filled with gravel and soil)	1:1	
Assumes rain garden/bioswale has no underdrain and no open water surface		

Raingarden/bioswale storage volume calculation:

Total cross sectional area	18.75 sf
Cross sectional area of bottom foot (gravel)	6 sf
Cross sectional area of top 1.5 feet (engineered soil)	12.75 sf
Total storage volume over length for bottom foot (gravel)	36 cf
<u>Total storage volume over length for top 1.5 feet (engineered soil)</u>	<u>25.5 cf</u>
Total Storage Volume	61.5 cf
Corresponding rainfall depth	0.49 inches

Conclusion: A rain garden/bioswale with an area of approximately 200 square feet and a depth of 2.5 feet may be able to retain the runoff originating from half the road width in front of the property resulting from the 2-year, 1-hour storm (approximately 0.5 inches rainfall depth)

Estimate probable construction cost for rain garden/bioswale:

Cost for constructing rain gardens/bioswales may range from \$100 to \$200 per square yard depending on site constraint and materials used
 An approximately 200 square foot rain garden/bioswale may cost between **\$2,500 to \$4,500**. It shall be noted that these are budgetary numbers and more representative cost can only be provided based on detailed design of rain gardens/bioswales.

C.3 Stormwater Handbook Considerations:

The parameters, values and calculation shown below are consistent with volume-based sizing criteria for treatment measures of the C.3 Stormwater Handbook. The drainage area represents half the road width in front of a 100-foot wide property. It shall be noted that it is not the intent to size the rain garden/bioswales according to C.3 guidelines. This calculation is merely an exercise to see how a rain grade/bioswale in the frontage of a private residence compares to C.3 guidelines.

Drainage Area	A=	1500 sf
Percent Impervious		100%
Mean Annual Precipitation (C.3; Appendix B, Figure B-1)	MAP=	17 inches
Reference Rain Gage Precip Palo Alto (C.3; Table 5-2)	MAPref=	13.7 inches
Rain Gage Correction Factor	Cf=MAP/MAPref=	1.24
Soil Type (C.3; Appendix B, Figure B-1)		Clay Loam (D)
Average Slope		1%
<u>Unit Basin Storage Volume (C.3; Appendix B, Figure B-3)</u>	<u>Usv=</u>	<u>0.62 inches</u>
C.3 Water Quality Design Volume	WQv = A * Cf * Usv =	96 cf

Conclusion: A 300 sf rain garden/bioswale approximately provides the volume to treat the C.3 water quality design volume related to the impervious road area in front of a residence.

Los Altos Shoulder Paving Policy
Rain Garden/Bioswale Sizing Considerations and Estimated Stormwater Treatment Benefit

Determine size for rain garden/bioswale using volume-based sizing criteria and correlate to a stormwater event:

Storm water runoff from the roadway being conveyed in the AC swale shall be directed into a rain garden/bioswale.

Assume that runoff from half the road width in front of a property shall be directed to the bioswale to be retained; runoff from upstream areas may flow through or by the rain garden/bioswale without retention.

Contributing area calculation:

Average width of properties:	100 ft
<u>Average width of road:</u>	<u>30 ft</u>
Contributing area to rain garden/bioswale (half the road width):	1500 sf

Selected reported rainfall depth and volume calculation (NOAA Atlas 14):

The **1-year, 6-hour** storm results in approx. **1 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **125 cf**

The **10-year, 1-hour** storm results in approx. **0.7 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **91 cf**

The **2-year, 1-hour** storm results in approx. **0.5 inch** of rainfall depth (NOAA Atlas 14, Volume 6, Version 2)
 Rainfall volume over impervious contributing area: **63 cf**

Rain garden/bioswale geometry:

Average space/length for rain garden/bioswale:	30 ft	(assumes that the property is 90 to 100 feet wide, 24-foot wide driveway, 22 feet for parking if desired, and about 15 feet of buffer between driveway and property line and bioswale and property line)
<u>Average width for rain garden/bioswale:</u>	<u>10 ft</u>	
Rain garden/Bioswale Area:	300 sf	
Average total depth of rain garden/bioswale:	2.5 ft	
Pore space of lower 1-foot thick gravel layer	30%	
Pore space of 1.5-foot thick engineered soil layer	10%	
Side slopes (basin is filled with gravel and soil)	1:1	
Assumes rain garden/bioswale has no underdrain and no open water surface		

Raingarden/bioswale storage volume calculation:

Total cross sectional area	18.75 sf
Cross sectional area of bottom foot (gravel)	6 sf
Cross sectional area of top 1.5 feet (engineered soil)	12.75 sf
Total storage volume over length for bottom foot (gravel)	54 cf
<u>Total storage volume over length for top 1.5 feet (engineered soil)</u>	<u>38.25 cf</u>
Total Storage Volume	92.25 cf
Corresponding rainfall depth	0.74 inches

Conclusion: A rain garden/bioswale with an area of approximately 300 square feet and a depth of 2.5 feet may be able to retain the runoff originating from half the road width in front of the property resulting from the 10-year, 1-hour storm (approximately 0.7 inches rainfall depth)

Estimate probable construction cost for rain garden/bioswale:

Cost for constructing rain gardens/bioswales may range from \$100 to \$200 per square yard depending on site constraint and materials used

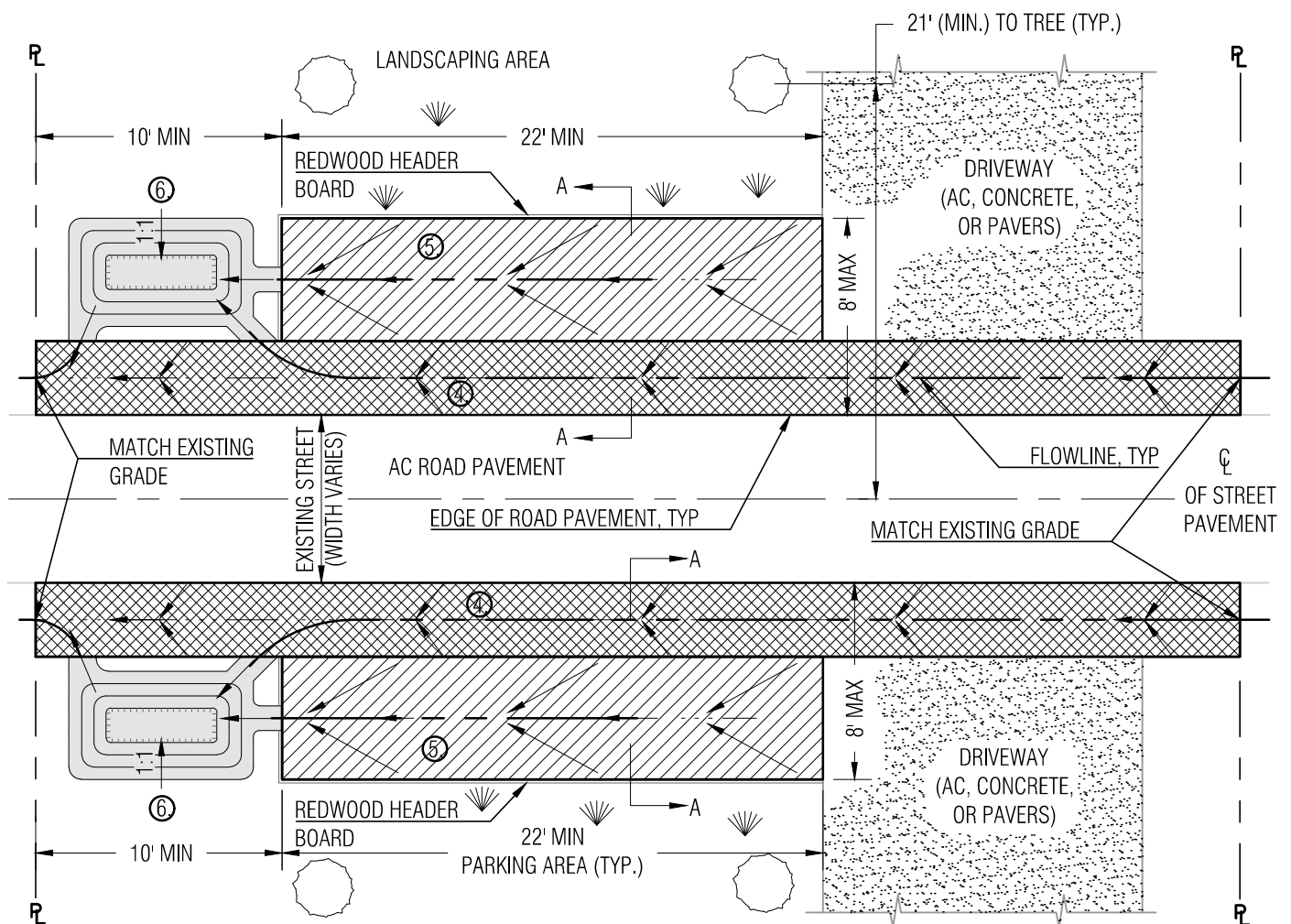
An approximately 300 square foot rain garden/bioswale may cost between **\$3,500 to \$6,500**. It shall be noted that these are budgetary numbers and more representative cost can only be provided based on detailed design of rain gardens/bioswales.

C.3 Stormwater Handbook Considerations:

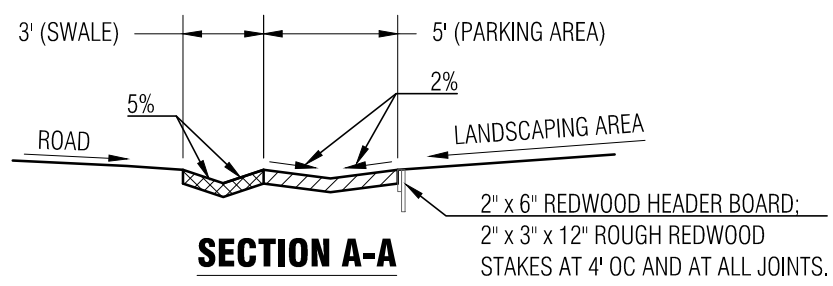
The parameters, values and calculation shown below are consistent with volume-based sizing criteria for treatment measures of the C.3 Stormwater Handbook. The drainage area represents half the road width in front of a 100-foot wide property. It shall be noted that it is not the intent to size the rain garden/bioswales according to C.3 guidelines. This calculation is merely an exercise to see how a rain grade/bioswale in the frontage of a private residence compares to C.3 guidelines.

Drainage Area	A=	1500 sf
Percent Impervious		100%
Mean Annual Precipitation (C.3; Appendix B, Figure B-1)	MAP=	17 inches
Reference Rain Gage Precip Palo Alto (C.3; Table 5-2)	MAPref=	13.7 inches
Rain Gage Correction Factor	Cf=MAP/MAPref=	1.24
Soil Type (C.3; Appendix B, Figure B-1)		Clay Loam (D)
Average Slope		1%
<u>Unit Basin Storage Volume (C.3; Appendix B, Figure B-3)</u>	<u>Usv=</u>	<u>0.62 inches</u>
C.3 Water Quality Design Volume	WQv = A * Cf * Usv =	96 cf

Conclusion: A 300 sf rain garden/bioswale approximately provides the volume to treat the C.3 water quality design volume related to the impervious road area in front of a residence.



PLAN VIEW



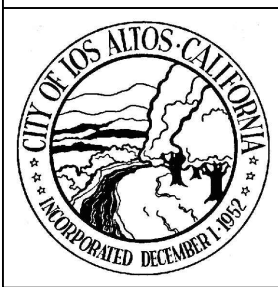
SECTION A-A

LEGEND:

- AC ASPHALT CONCRETE
- ℙ PROPERTY LINE
- ℄ CENTERLINE
- Existing or new landscaping
- Street tree (new or existing)
- BIOSWALE/RAIN GARDEN
- NEW PERMEABLE SURFACE
- NEW AC - DRAINAGE SWALE
- FLOWPATH
- ④ NOTES, SEE SU-20B

SEE STANDARD DETAIL SU-20B FOR NOTES RELATED TO THE STREET SHOULDER IMPROVEMENT POLICY.

Approved. _____ Date _____
 City Engineer

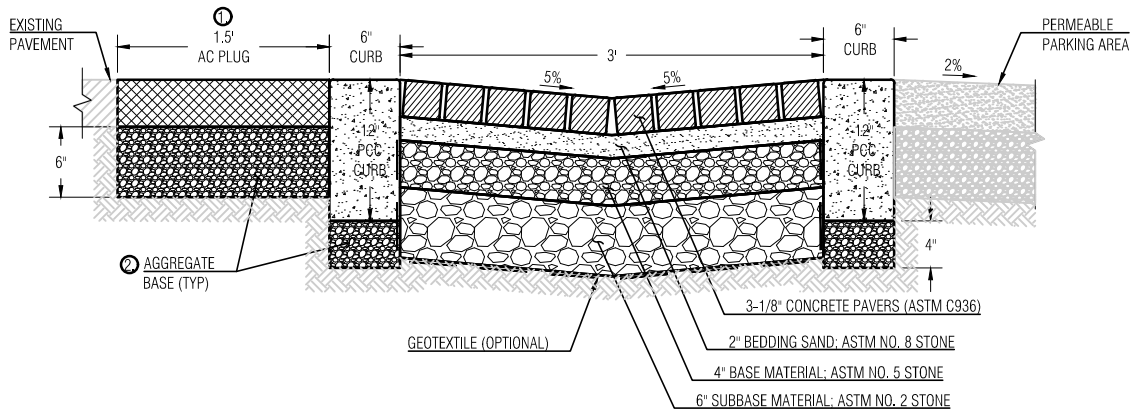


REVISION	
Description	Date

ENGINEERING DIVISION

STREET SHOULDER IMPROVEMENT POLICY (SHEET 1 OF 2)

SU-20A



NOTES:

1. AC PLUG SHALL BE 4" THICK OR MATCH EXISTING PAVEMENT THICKNESS, WHICHEVER IS GREATER.
2. AGGREGATE BASE SHALL BE COMPACTED TO 95% OF MAXIMUM DRY DENSITY.
3. INSTALL PAVERS AND ALL BASE MATERIALS PER MANUFACTURER'S RECOMMENDATIONS.

LEGEND:

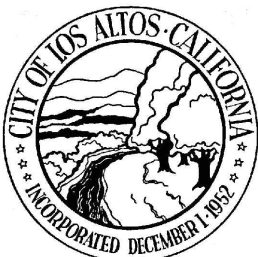
- | | | | |
|--|------------------|--|------------------------|
| | CONCRETE PAVERS | | AGGREGATE BASE |
| | BEDDING SAND | | AC PLUG |
| | BASE MATERIAL | | EXISTING PAVEMENT |
| | SUBBASE MATERIAL | | PERMEABLE PARKING AREA |
| | PCC | | NATIVE MATERIAL |
| | | | NOTES |



Approved. _____

City Engineer

Date



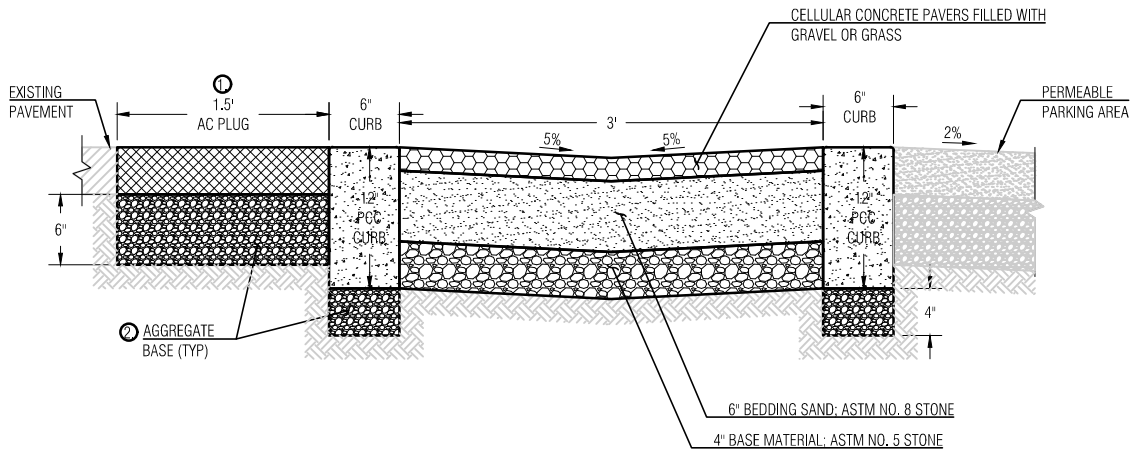
REVISION

Description

Date

ENGINEERING DIVISION

PERMEABLE CONCRETE
PAVERS IN ROADSIDE
DRAINAGE SWALE



NOTES:

1. AC PLUG SHALL BE 4" THICK OR MATCH EXISTING PAVEMENT THICKNESS, WHICHEVER IS GREATER.
2. AGGREGATE BASE SHALL BE COMPACTED TO 95% OF MAXIMUM DRY DENSITY.
3. INSTALL CELLULAR CONCRETE PAVERS AND ALL BASE MATERIALS PER MANUFACTURER'S RECOMMENDATIONS.

LEGEND:

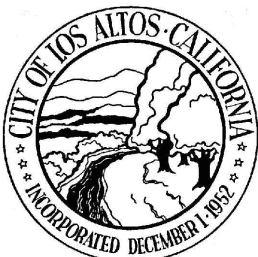
- | | | | |
|--|--------------------------|--|------------------------|
| | CELLULAR CONCRETE PAVERS | | AGGREGATE BASE |
| | BEDDING SAND | | AC PLUG |
| | BASE MATERIAL | | EXISTING PAVEMENT |
| | SUBBASE MATERIAL | | PERMEABLE PARKING AREA |
| | PCC | | NATIVE MATERIAL |
| | | | NOTES |



Approved. _____

City Engineer

Date



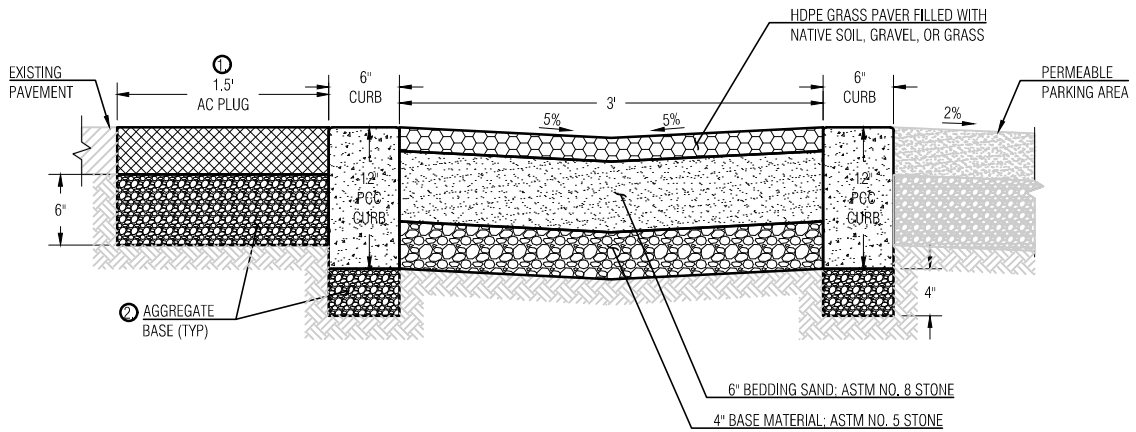
REVISION

Description

Date

ENGINEERING DIVISION

**CELLULAR CONCRETE
BLOCKS IN ROADSIDE
DRAINAGE SWALE**



NOTES:

1. AC PLUG SHALL BE 4" THICK OR MATCH EXISTING PAVEMENT THICKNESS, WHICHEVER IS GREATER.
2. AGGREGATE BASE SHALL BE COMPACTED TO 95% OF MAXIMUM DRY DENSITY.
3. INSTALL HDPE GRASS PAVERS AND ALL BASE MATERIALS PER MANUFACTURER'S RECOMMENDATIONS.

LEGEND:

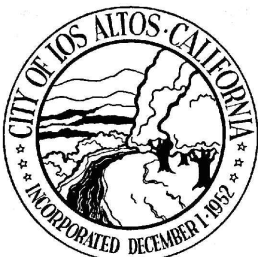
- | | | | |
|--|-----------------------|--|------------------------|
| | HDPE PERMEABLE PAVERS | | AGGREGATE BASE |
| | BEDDING SAND | | AC PLUG |
| | BASE MATERIAL | | EXISTING PAVEMENT |
| | SUBBASE MATERIAL | | PERMEABLE PARKING AREA |
| | PCC | | NATIVE MATERIAL |
| | | | NOTES |



Approved. _____

City Engineer

Date

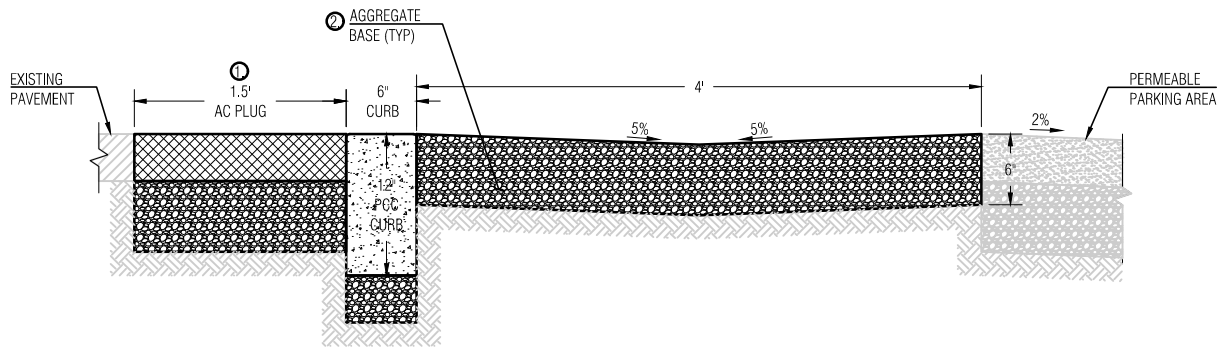


REVISION

Description	Date











ENGINEERING DIVISION

**HDPE PAVER IN
ROADSIDE SWALE**



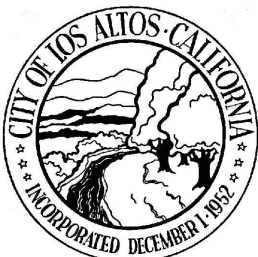
NOTES:
 1. AGGREGATE BASE SHALL BE COMPACTED TO 95% OF MAXIMUM DRY DENSITY.

LEGEND:

-  CONCRETE PAVERS
-  AGGREGATE BASE
-  BEDDING SAND
-  AC PLUG
-  BASE MATERIAL
-  EXISTING PAVEMENT
-  SUBBASE MATERIAL
-  PERMEABLE PARKING AREA
-  PCC
-  NATIVE MATERIAL
-  NOTES



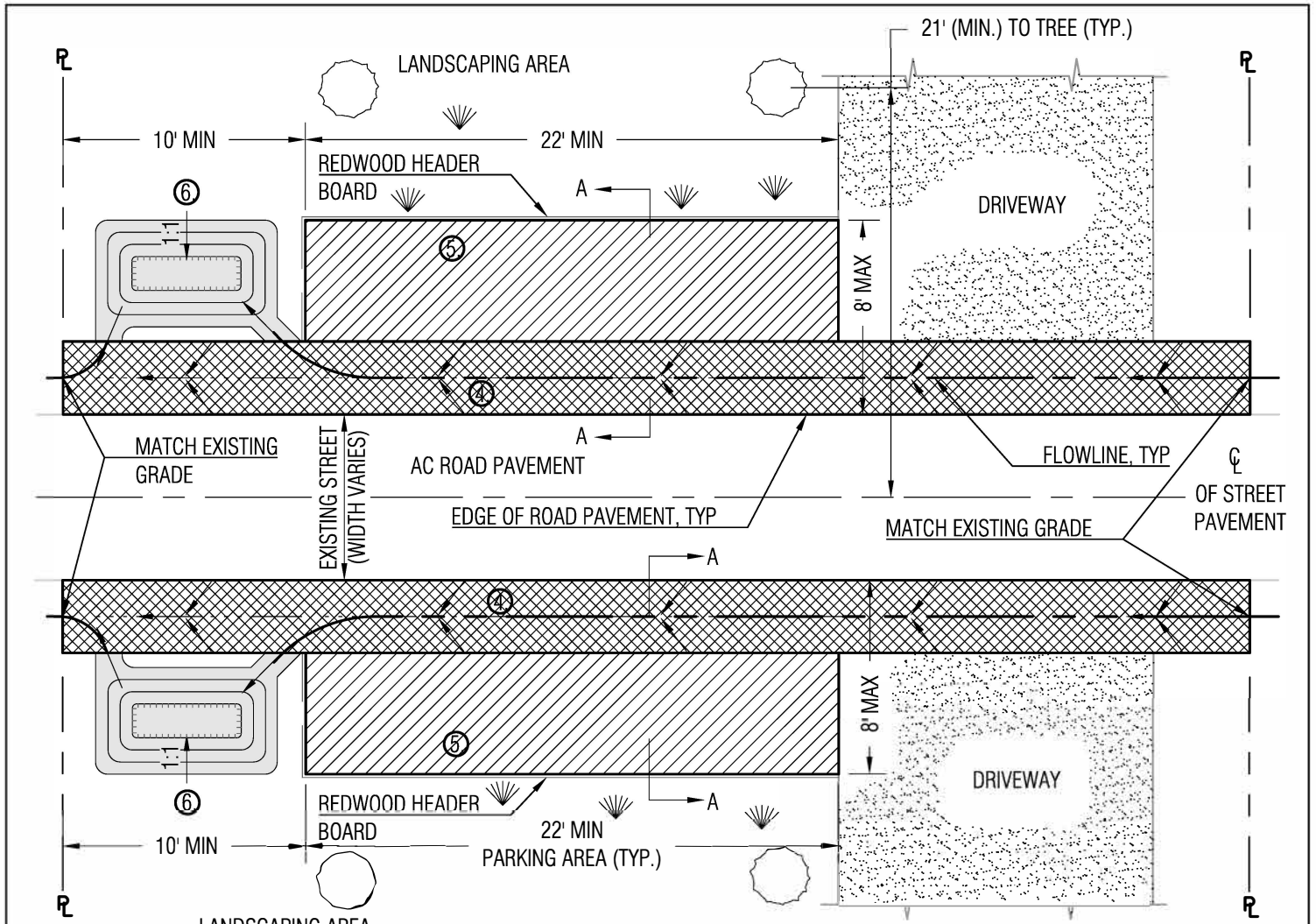
Approved. _____
 City Engineer Date



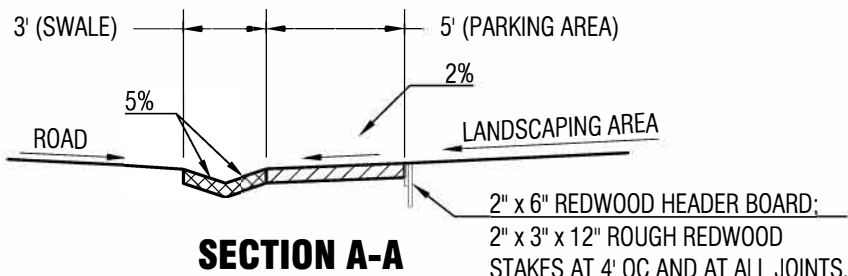
REVISION	
Description	Date

ENGINEERING DIVISION

**COMPACTED AGGREGATE
 BASE IN ROADSIDE SWALE**



PLAN VIEW



SECTION A-A

2" x 6" REDWOOD HEADER BOARD;
2" x 3" x 12" ROUGH REDWOOD
STAKES AT 4' OC AND AT ALL JOINTS.

LEGEND:

- AC ASPHALT CONCRETE
- ℙ PROPERTY LINE
- ℄ CENTERLINE
- EXISTING OR NEW LANDSCAPING
- STREET TREE (NEW OR EXISTING)
- BIOSWALE/RAIN GARDEN
- NEW PERMEABLE SURFACE
- NEW AC - DRAINAGE SWALE
- FLOWPATH
- ④ NOTES, SEE SU-20B

SEE STANDARD DETAIL SU-20B FOR NOTES RELATED TO THE STREET SHOULDER IMPROVEMENT POLICY.

Approved. _____
City Engineer Date



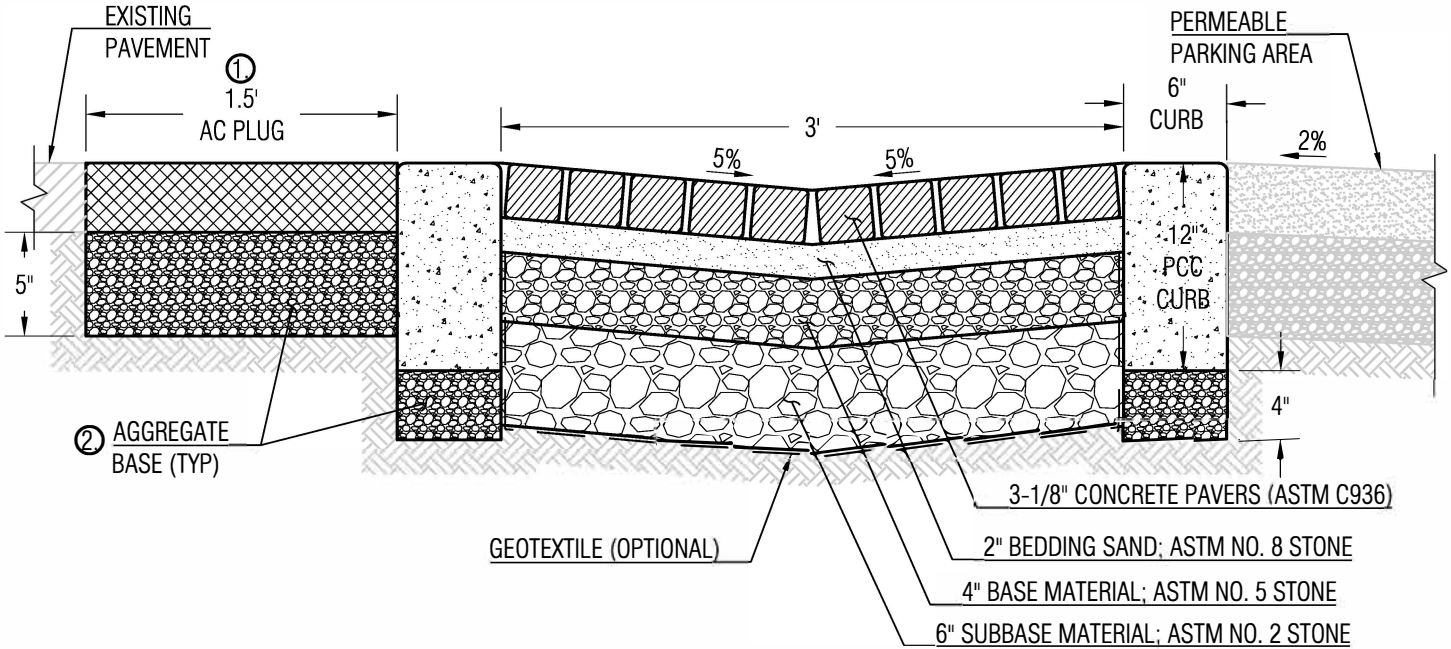
REVISION	
Description	Date

ENGINEERING DIVISION

STREET SHOULDER IMPROVEMENT POLICY (SHEET 1 OF 3)

SU-20A

OPTIONAL PERMEABLE CONCRETE PAVERS IN ROADSIDE DRAINAGE SWALE



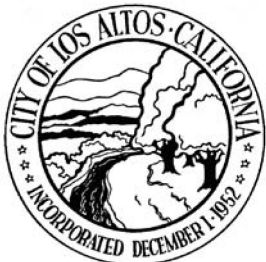
NOTES:

1. AC PLUG SHALL BE 4" THICK OR MATCH EXISTING PAVEMENT THICKNESS, WHICHEVER IS GREATER.
2. AGGREGATE BASE SHALL BE COMPACTED TO 95% OF MAXIMUM DRY DENSITY.
3. INSTALL PAVERS AND ALL BASE MATERIALS PER MANUFACTURER'S RECOMMENDATIONS.

LEGEND:

- | | | | |
|--|------------------|--|------------------------|
| | CONCRETE PAVERS | | AGGREGATE BASE |
| | BEDDING SAND | | AC PLUG |
| | BASE MATERIAL | | EXISTING PAVEMENT |
| | SUBBASE MATERIAL | | PERMEABLE PARKING AREA |
| | PCC | | NATIVE MATERIAL |
| | | | NOTES |

Approved. _____ Date _____
 City Engineer



REVISION	
Description	Date

ENGINEERING DIVISION	
STREET SHOULDER IMPROVEMENT POLICY (SHEET 3 OF 3)	SU-20C



CONSENT CALENDAR

Agenda Item # 6

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Resolution No. 2018-45: LAMEA MOU Side Letter Agreement – Defined 9/80 Work Schedule

Prepared by: Jennifer Leal, Human Resources Manager

Reviewed by: Sharif Etman, Administrative Services Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Resolution No. 2018-45
2. LAMEA MOU – Side Letter Agreement

Initiated by:

Staff

Previous Council Consideration:

June 27, 2017; Approved three-year MOU between the City and LAMEA

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council wish to adopt Resolution 2018-45 amending LAMEA’s MOU with a Side Letter Agreement that removes one eight-hour floating holiday a year starting January 1, 2019 and changes the amount of paid holiday hours accrued by LAMEA employees for City Holidays from 8-hours to 9-hours?

Summary:

- This is a revision to the MOU between the City and LAMEA in order to implement a defined 9/80 schedule to reduce greenhouse emissions, provide less commuting for employees and support employee retention.
- The City’s and LAMEA’s representatives met and conferred in good faith on July 17, 2018 and July 23, 2018 concerning the terms and conditions of the Side Letter Agreement.
- The key changes to the MOU are that employees will receive nine hours of paid holiday if a City holiday falls on a nine-hour workday instead of eight hours. In exchange, effective January 1, 2019, LAMEA employees will give up one eight-hour floating holiday annually.



Subject: Resolution No. 2018-45: LAMEA MOU Side Letter Agreement – Defined 9/80 Work Schedule

Staff Recommendation:

Adopt Resolution No. 2018-45 to update LAMEA's MOU with a Side Letter Agreement (Attachment 2, Appendix C) that replaces Article 9.1 and 11.1 in their entirety and keep Article 11.2 unchanged



Subject: Resolution No. 2018-45: LAMEA MOU Side Letter Agreement – Defined 9/80 Work Schedule

Purpose

Approval of the modifications to the LAMEA MOU reducing the number of paid floating holidays from two days to one day annually in order to implement the Defined 9/80 schedule.

Background

The City has allowed eligible employees to work alternative work schedules (either a 9/80 or 4/10 work schedule) since August of 2002. Over the past 16 years, City employees have been encouraged to adopt compressed work schedules as operational needs allowed, and this has already been successful in most departments. However, this has caused difficulty at times with employees being off on different days and several employees not being eligible to participate in alternative work schedules.

Discussion/Analysis

The conversation about implementing a Defined 9 /80 Work Schedule began in February 2018 through the Workplace Innovation Team. A Defined 9 /80 Work Schedule consists of employees working 80 hours over nine days in a two week pay period. Employees work nine hours Monday through Thursday both weeks, and work one defined Friday of eight hours. Every other Friday, City Hall is closed to both staff and the public.

This new work schedule was supported by management to align existing alternative work schedules by defining the day that City offices will be closed. Another benefit of this work schedule is that it allows a greater number of employees to participate in a compressed work schedule thereby further reducing the number of commute trips (and associated greenhouse gas emissions) required of City employees by 10% and aligning with the City's Climate Action Plan - Goal 5.3 Support Sustainable Employee Travel. The reduction in commute trips aids employee retention efforts while also providing the benefit of being used as a recruitment tool for future employees.

The City met and conferred in good faith on July 17, 2018 and July 23, 2018 with LAMEA representatives over the terms and conditions of the Defined 9/80 Work Schedule and a Tentative Agreement was signed by both City and LAMEA representatives. The key changes to the MOU are that employees will receive nine hours of paid holiday if a City holiday falls on a nine-hour workday instead of eight hours. In exchange, effective January 1, 2019, LAMEA employees will give up one eight-hour floating holiday annually.



Subject: Resolution No. 2018-45: LAMEA MOU Side Letter Agreement – Defined 9/80 Work Schedule

Options

1) Adopt Resolution 2018-45

Advantages: Reduces the number of paid floating holidays from two days to one day annually for LAMEA employees

Disadvantages: None

2) Do not adopt Resolution 2018-45

Advantages: None

Disadvantages: Staff will be required to account for one hour of vacation for every paid holiday; staff will retain both floating holidays currently listed in the MOU

Recommendation

City staff recommends Option 1.

RESOLUTION NO. 2018-45

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS
AMENDING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE
CITY OF LOS ALTOS (“THE CITY”) AND THE LOS ALTOS MUNICIPAL
EMPLOYEES ASSOCIATION (“LAMEA”) BY ADOPTING THE SIDE LETTER
AGREEMENT**

WHEREAS, an Alternative Work Schedule Administrative Instruction was signed by the City Manager and put into effect on August 5, 2002; and

WHEREAS, the conversation about implementing a Defined 9/80 Work Schedule began in February 2018 through the Workplace Innovation Team; and

WHEREAS, the Defined 9/80 Work Schedule was supported by management to align existing alternative work schedules by defining the day that City offices will be closed; and

WHEREAS, this Work Schedule aligns with the City’s Climate Action Plan - Goal 5.3 Support Sustainable Employee Travel; and

WHEREAS, the City met and conferred in good faith on July 17, 2018 and July 23, 2018 with the LAMEA representatives over the terms and conditions of the Defined 9/80 Work Schedule; and

WHEREAS, to offset the additional one hour of time off associated with each holiday, LAMEA has agreed to a reduction in a personal holiday provided by LAMEA MOU; and

WHEREAS, a Tentative Agreement was signed by representatives from the City and LAMEA on August 9, 2018; and

WHEREAS, cities throughout California have successfully adopted Defined 9/80 schedules, with office closures on alternate Fridays; and

WHEREAS, City Council action is required for changes to Memorandums of Understanding.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby adopts the November 8, 2018 Side Letter Agreement between the City and LAMEA.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ____ day of ____, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK



**1 North San Antonio Road
Los Altos, California 94022-3087**

November 9, 2018

Sean K. Gallegos, President
Los Altos Municipal Employees Association
P.O. Box 684
Los Altos, California 94023

Dear Mr. Gallegos,

Pursuant to the provisions of the Meyers-Millias-Brown Act (“MMBA”), this Side Letter Agreement is entered into on November 08, 2018 between the City of Los Altos (“City”) and the Los Altos Municipal Employees Association (“LAMEA”) (“Side Letter Agreement”) as an amendment to the Memorandum of Understanding (“MOU”) effective July 1, 2017 through June 30, 2020. LAMEA and the City are collectively referred to herein as the “Parties” It is understood and agreed that the specific provisions contained in this Side Letter Agreement shall supersede any previous agreements, whether oral and written, regarding the matters contained herein. Except as provided herein, all wages, hours and other terms and conditions of employment shall remain in full force and effect.

The Parties have met and conferred in good faith on July 17, 2018 and July 23, 2018 concerning the terms and conditions of this Side Letter Agreement and its implementation and agree that the following language will replace Article 9.1 and 11.1 in its entirety, and Article 11.2 will remain unchanged.

The Parties agree with the following updates in the MOU with Appendix C.

Sincerely,

Jennifer Leal
Human Resources Manager
City of Los Altos

9.1 Work Schedule:

A Defined 9/80 Work Schedule consists of employees working 80 hours over nine days in a two week pay period. Employees work nine hours Monday through Thursday both weeks, and work one defined Friday of eight hours. With this schedule, City Hall and MSC are closed on the same Friday to both staff and the public. Police Department employees represented by LAMEA are exempt from the Defined 9/80 Work Schedule but may continue to have an alternate work schedule as defined in the policy.

M	TU	W	TH	F
Week 1				
9 hours	9 hours	9 hours	9 hours	8 hours
Week 2				
9 hours	9 hours	9 hours	9 hours	0 hours

All offices of the City, except those for which special regulations are required, shall be kept open for business on all days of the year except Defined 9/80 Fridays, Saturdays, Sundays and Holiday. Departments for which necessity requires a different schedule from that generally applied, shall work according to regulations prepared by the respective department head and approved by the City Manager.

Employees shall be assigned to work shifts with scheduled starting and quitting times. Should it be necessary, in the interest of efficient operations, or due to a special event or circumstances to establish daily or weekly work schedules departing from the normal work day or the normal work week, the City shall give at least five (5) working days’ notice days. Work schedules shall not be unjustly changed. If an employee is required to return to work more than sixteen (16) hours in a twenty-four (24) hour period, the employee shall have at least eight (8) hours rest between shifts, except in the case of emergencies.

Appendix D provides the City of Los Altos Administrative Instruction for Alternative Work Schedules for employees eligible to participate. It is mutually agreed that the intention is to try the schedule on a year-round basis. All parties acknowledge, however, the City’s right to revert to a standard 10/80 schedule if needed for efficient municipal management. The Administrative Instruction for Alternative Work Schedule will provide guidance for the change in work schedules.

11.1 Scheduled Holidays:

The following shall be paid holidays for all eligible employees:

New Year's Day	Thanksgiving Day
Martin Luther King Day	Friday after Thanksgiving Day
President's Day	Christmas Day
Memorial Day	Floating Holiday (accrues on April 1)
Independence Day	Floating Holiday (accrues on October 1)

Floating holidays may be taken anytime upon approval of the Department Head or his/her designee.

Effective January 1, 2019, employees will receive one (1) nine (9) hour floating holiday each fiscal year starting with the first pay period in July 2019. In the instance that the City needs to revert to a standard 10/80 Work Schedule, LAMEA members shall return to receiving two (2) eight (8) hour floating holidays each fiscal year. LAMEA members listed under Police Services in Appendix A are exempt from this modification and will continue to receive two (2) eight (8) Floating holidays (one in April and one in October).

Additional holidays may be taken anytime upon approval of City Council.

Effective August 27, 2018, employees will receive nine (9) hours paid for holidays listed under 11.1. LAMEA members listed under Police Services in Appendix A are exempt from this change and will follow Section 11.2 or receive eight (8) hours paid holiday.

Holidays, which fall on Saturday, will be observed the day before on Friday, and holidays, which fall on Sunday, will be observed the day after on Monday.

Integration with holidays and paid leave before January 1, 2019:

- a. When a holiday falls on an employee's regularly scheduled ten (10) hour work day, the employee shall receive nine (9) hours of paid holiday. When a holiday falls on an employee's regularly scheduled nine (9) hour work day, the employee shall receive nine (9) hours of paid holiday. When a holiday falls on an employee's regularly scheduled eight (8) hour work day, the employee shall receive eight (8) hours of paid holiday.
- b. When an observed holiday falls on a non-working Friday, the employee will receive nine (9) hours of paid holiday the Thursday before the holiday instead of receiving holiday pay the day of the holiday, in accordance with the employee's regularly scheduled hours for those days.
- c. If the Thursday before the scenario in section b is also a holiday, the employee shall receive nine (9) hours of holiday pay the Wednesday before the holiday in accordance with the employee's regularly scheduled hours for those days. (For example, if a non-working Friday falls on the day after Thanksgiving, employees would maintain their non-working Friday and receive nine (9) hours of holiday pay on Wednesday and Thursday instead of receiving holiday pay on Thursday and Friday).
- d. Employees on a 4/10 Schedule will need to use either floating holiday, vacation or compensatory time to cover the difference between their regularly scheduled hours and the compensated time received for holidays.

Appendix C – Approved November 09, 2018

- e. Employees who take a full day off on a ten (10) hour workday will be charged ten (10) hours of leave. Employees who take a full day off on a nine (9) hour workday will be charged nine (9) hours of leave. Employees who take a full day off on an eight (8) hour workday will be charged eight (8) hours of leave.
- f. This section only applies to employees that participate in the Defined 9/80 Schedule as defined in the employee's labor agreement.

Integration with holidays and paid leave after January 1, 2019:

- a. Sections a through e will carry forward.
- b. To ensure that employees on different work schedules do not receive disproportionate amounts of holiday hours per year, employees on a 9/80 schedule or a 4/10 schedule will only accrue one (1) nine (9) hour floating holiday in the first full pay period in July 2019.
- c. This section only applies to employees that participate in the Defined 9/80 Schedule as defined in the employee's labor agreement.

11.2 Holiday Pay

Records personnel in the Police Department required to work an alternative work schedule will receive hourly compensation for the holiday based on the employees current regularly scheduled work shift assignment. For holidays that do not fall on a regularly scheduled workday, the holiday compensation will be 8 hours.



**APPENDIX D
CITY OF LOS ALTOS ADMINISTRATIVE POLICY
ALTERNATIVE WORK SCHEDULES**

PURPOSE

Alternative work schedules are intended to benefit the City of Los Altos (“City”) by decreasing the number of commute trips (and associated greenhouse gas emissions) required of City employees by 10% and align with the City’s Climate Action Plan - Goal 5.3 Support Sustainable Employee Travel. The City also recognizes the benefit of a compressed work week for City employees. Reducing the number of commute trips aids employee retention efforts while also providing the benefit of being used as a recruitment tool for future employees.

POLICY

Policy Overview:

Upon written request by an employee, the department director (or his or her designee) along with the employee’s immediate supervisor/manager shall consider allowing the employee to work an alternative work schedule. This schedule will only be approved if it maintains established levels of service and is transparent to the public. In addition, this scheduling will be subject to the conditions, limitations and procedures outlined in the City’s Administrative Policies.

Work schedules have been and will continue to be determined by City Departments based upon the need to provide service to the public. These schedules will continue to be administered by the Department. The department director (or his or her designee) will work with the employee’s immediate supervisor/manager and the employee to determine the appropriate alternative work schedule, break times, and work schedules.

Alternative Work Schedule Options:

4/10 Work Schedule

A 4/10 work schedule consists of four (4) workdays of ten (10) hours within a seven (7) day work week. For this schedule, the workweek begins Sunday at 12:00 AM and ends Saturday at 11:59 PM.

9/80 Work Schedule

A 9/80 is a work schedule of eighty (80) work hours, scheduled over the course of nine (9) workdays during a single biweekly pay period. The typical 9/80 schedule consists of eight (8) work days of nine (9)-hours, Monday through Thursday of each week, with one eight (8)-hour work day on one of the Fridays. For this schedule, the workweek shall begin exactly four (4) hours after the start time of the day of the week that the employee’s eight (8) hour work day is scheduled.

Defined 9/80 Work Schedule

City employees whose primary work location is City Hall, MSC, and full-time employees within the Recreation Department will be scheduled to work a Defined 9/80 Work Schedule consisting of eight (8) work days of nine (9) hours, Monday through Thursday of each week, and one (1) defined Friday of eight (8) hours. The non-working Friday will be the day that City Hall and MSC are closed to staff and the public. The Fridays that these locations will be closed shall be posted annually on the City’s website calendar. City employees at these locations may work a 4/10 Work Schedule, with department head approval, so long as their four workdays align with the days that City Offices will be open under the Defined 9/80 Schedule.

Appendix D – Approved November 09, 2018

Employees shall be entitled to either a thirty minute or a one (1) hour unpaid meal period during each eight (8), nine (9), or ten (10) hour work shift unless an employee's labor agreement or existing policies at the Department level specify otherwise. Whenever possible, this meal period shall be scheduled at the middle of each shift. Breaks are considered paid time and cannot be combined with the lunch period to shorten the work schedule unless an employee's labor agreement specifies otherwise. Any other schedule modifications will not be permitted without prior approval by the employee's Supervisor/manager.

Procedure:

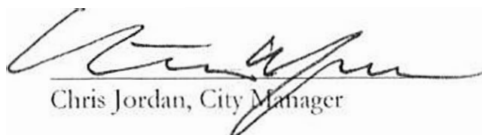
1. An employee scheduled to work an alternative work schedule or an employee requesting to work an alternative work schedule shall submit an "Alternative Work Schedule Form" to his or her immediate supervisor and to the department director for approval. Human Resources must receive a copy of the approved form.
2. Upon receipt of an employee's written request to work an alternative schedule, the department director will work with the employee's immediate supervisor/manager to determine whether the department can approve the employee's alternative work request.
 - a. In determining whether the department can approve the request, the department shall first consider its obligation is to the public.
 - b. If the department head determines that the alternative work schedule will not cause harm to the public service, he or she shall next consider whether the department can adequately manage the requested alternative schedule.
 - c. Finally, the department director will consider and allow the requested alternative schedules as long as it does not diminish the quality of the employee's work, the availability of City services, or result in increased costs.
3. In certain circumstances, and depending on workload and department initiatives, the department director (or his or her designee) may take the employee off their alternative work schedule unless an employee's labor agreement specifies otherwise. This may occur due to public service needs, the department's ability to manage the employee, the employee's performance or productivity, or for any other lawful reasons. In such instances, the department director (or his or her designee) will make an effort to notify the employee ahead of time of any scheduling change.
4. Employees working an alternative work schedule cannot move their regular day off or "flex" or adjust work hours forward or backward on the alternating regular work day without written approval by their supervisor.
5. Starting and ending times for the work day for an employee working an alternative work schedule continue to be subject to approval by the employee's supervisor/manager. The supervisor / manager may adjust the employee's start and end times from time to time, as necessary to provide adequate staffing and coverage.

Appendix D – Approved November 09, 2018

6. Integration with holidays and paid leave before January 1, 2019:
 - a. When a holiday falls on an employee’s regularly scheduled ten (10) hour work day, the employee shall receive nine (9) hours of paid holiday. When a holiday falls on an employee’s regularly scheduled nine (9) hour work day, the employee shall receive nine (9) hours of paid holiday. When a holiday falls on an employee’s regularly scheduled eight (8) hour work day, the employee shall receive eight (8) hours of paid holiday.
 - b. When an observed holiday falls on a non-working Friday, the employee will receive nine (9) hours of paid holiday the Thursday before the holiday instead of receiving holiday pay the day of the holiday, in accordance with the employee’s regularly scheduled hours for those days.
 - c. If the Thursday before the scenario in section 6b is also a holiday, the employee shall receive nine (9) hours of holiday pay the Wednesday before the holiday in accordance with the employee’s regularly scheduled hours for those days. (For example, if a non-working Friday falls on the day after Thanksgiving, employees would maintain their non-working Friday and receive nine (9) hours of holiday pay on Wednesday and Thursday instead of receiving holiday pay on Thursday and Friday).
 - d. Employees on a 4/10 Work Schedule will need to use either floating holiday, vacation, compensatory time, or management leave to cover the difference between their regularly scheduled hours and the compensated time received for holidays unless an employee’s labor agreement specifies otherwise.
 - e. Employees who take a full day off on a ten (10) hour workday will be charged ten (10) hours of leave. Employees who take a full day off on a nine (9) hour workday will be charged nine (9) hours of leave. Employees who take a full day off on an eight (8) hour workday will be charged eight (8) hours of leave.
 - f. This section only applies to employees that participate in the Defined 9/80 Work Schedule as defined in the employee’s labor agreement.

7. Integration with holidays and paid leave after January 1, 2019:
 - a. Sections 6a through 6e will carry forward.
 - b. To ensure that employees on different work schedules do not receive disproportionate amounts of holiday hours per year, employees on a Defined 9/80 Work Schedule or employees on a 4/10 Work Schedule at Defined 9/80 locations will only accrue one (1) eight (8) hour floating holiday in the first full pay period in July unless an employee’s labor agreement specifies otherwise.
 - c. This section only applies to employees that participate in the Defined 9/80 Work Schedule as defined in the employee’s labor agreement.

8. Overtime provisions
 - a. Overtime if any, must be approved in advance by the immediate supervisor.
 - b. Overtime for eligible non-exempt employees will be paid for all hours worked in excess of forty (40) hours in the employee’s seven (7) day workweek or as defined in the employee’s labor agreement.



Chris Jordan, City Manager

Effective Date: August 5, 2002
Revision Date: April 20, 2006
Revision Date: August 12, 2015
Revision Date: November XX, 2018



DISCUSSION CALENDAR

Agenda Item # 7

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real

Prepared by: Zachary Dahl, Planning Services Manager

Reviewed by: Jon Biggs, Community Development Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Updated Proposal from Applicant
2. Resolution No. 2018-42
3. City Council Agenda Report, November 13, 2018
4. Public Correspondence

Initiated by:

Applicant and Owner – Mircea Voskerician, LuxOne LLC

Previous Council Consideration:

- January 16, 2018 (City Council-Planning Commission Joint Study Session)
- May 8, 2018 (Story Pole Exemption Request)
- July 10, 2018 (Story Pole Exemption Request)
- November 13, 2018 (Regular City Council Meeting)

Fiscal Impact:

The project will result in the following estimated financial contributions to the City:

- Park in-Lieu Fees: \$1,846,000 (\$35,500/multiple-family dwelling unit)
- Traffic Impact Fees: \$216,268 (\$4,159/multiple-family dwelling unit)

Environmental Review:

The project is exempt from environmental review as in-fill development in accordance with Section 15332 of the California Environmental Quality Act of 1970 as amended.

Policy Question(s) for Council Consideration:

- Is the updated proposal of 10 affordable (below market rate) units in exchange for a density bonus, incentives, waivers and parking requirement alteration consistent with State Law and the City's Affordable Housing Ordinance?
- Does the proposal meet the required findings for design review, a use permit and subdivision per the Los Altos Municipal Code?



Subject: Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real

Summary:

- This is an updated development proposal for a new five-story, multiple-family residential building with 52 condominium units, a rooftop common area and a two-level underground parking garage
- The updated proposal is offering 10 affordable housing units (three moderate income units and one low income unit for sale, and six very-low income units for rent), 35.7 percent of the project's base density, that qualifies the project for a density bonus, incentives, waivers and a parking requirement alteration. The proposal is seeking an 82.5 percent density bonus, development incentives to allow for increased height and a reduced rear yard setback, waivers to allow for a taller elevator tower and larger area for rooftop structures, and a reduction in the minimum onsite parking requirement
- The Complete Streets Commission and the Planning Commission have reviewed the original proposal at public meetings and recommend approval of the project

Staff Recommendation:

Consider the updated proposal and take action accordingly on Design Review application 18-D-01, Use Permit application 18-UP-01 and Subdivision application 18-SD-01 for a new 52-unit multiple-family development at 4856 El Camino Real



Subject: Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real

Purpose

Consider the update proposal and take action accordingly on Design Review, Use Permit, and Subdivision applications for a new 52-unit multiple-family development at 4856 El Camino Real.

Background

On November 13, 2018, the City Council held a public meeting to consider the proposed development. Following a presentation from the applicant and comments from members of the public, the Council discussed the proposal. Due to concerns related to the size of the requested density bonus, the Council voted unanimously to continue the item to the November 27, 2018 meeting to give the applicant an opportunity to submit an updated proposal to address the direction provided.

The City Council’s direction to the applicant was to consider revising the project to increase the number of BMR units from eight (8) to ten (10), all of which were to be rental units, and revise the mix of BMR units to more closely reflect the bedroom count mix of the market rate units in the project.

A full evaluation of the originally proposed project and its background information is included in the November 13, 2018 City Council agenda report (Attachment 3).

Discussion/Analysis

Updated Proposal

Following the City Council’s direction to increase the number of affordable units and provide a more representative mix of affordable units with regard to bedroom count, staff worked diligently with the applicant to update the proposed project. The updated proposal, which is included in Attachment 1, is summarized as follows:

- The project increased the total number of affordable units from eight (8) to ten 10;
- The project is offering three moderate income units and one low income unit for sale, and six very-low income units for rent, which is 35.7 percent of the project’s base density of 28 units;
- The mix of affordable units has been revised to include two (2) three-bedroom units, four (4) two-bedroom units and four (4) one-bedroom units.

The following table provides a comparison between the original proposal and new proposal:

	Original Proposal		Updated Proposal	
	Market Rate Units	Affordable Units	Market Rate Units	Affordable Units
Three-bedroom	10	1 (<i>moderate</i>)	7	2 (<i>moderate</i>)



Subject: Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real

Two-bedroom	28	1 (<i>moderate</i>)	27	4 (1 <i>moderate</i> , 1 <i>low</i> and 2 <i>very-low</i>)
One-bedroom	4	6 (<i>very-low</i>)	8	4 (<i>very-low</i>)
Total	42	8	42	10

Overall, the updated proposal does a much better job of providing a mix of affordable units that is very similar to the mix of market rate unit in terms of bedroom count and they are well distributed throughout the project. In addition, it is worth noting that this project would provide the highest percentage of affordable units and best mix of units in terms of size of any multiple-family project that the City has approved in the last 10 years.

As a condition of project approval, the developer is required to enter into an affordable housing agreement with the City to ensure that the affordability of the project’s BMR units and income qualification requirements are in place for the long term, at least 55 years.

General Plan Conformance

As part of the Council discussion about the project, there was a question raised about conformance with the General Plan’s maximum floor area ratio (FAR) requirement. Based on staff’s review, the project is not inconsistent with any General Plan FAR or other requirements. While the General Plan’s Land Use Element does use FAR to discuss existing and anticipated development intensity in various land use designations, it does not establish a maximum FAR in the El Camino Real Special Planning Area, nor does it contain any goals, policies or implementation program requiring or encouraging such a standard. In addition, staff reviewed the zoning ordinances that regulated the El Camino Real corridor dating back to 1969 and determined this district has never contained a maximum FAR site standard requirement. Therefore, based on the information contained in the attached resolution, the proposed project is consistent with the Los Altos General Plan.

Development Incentives

The Council’s discussion also included concerns that the project was seeking more than three development incentives (or concessions). As defined in State Law and the City’s Affordable Housing Ordinance (Chapter 14.28) for the purposes of this project, an “incentive” means a reduction in site development standards or a modification of zoning code requirements or architectural design requirements; or other regulatory incentives or concessions proposed by the developer or the City that result in identifiable and actual cost reductions to provide for affordable housing costs. In this case, there are basically two incentives being requested by the applicant: 1) an increase in the maximum allowable building height of up to 13 feet; and 2) a reduction in the rear yard setback for the upper floors of 40 percent. Since the project is entitled to three incentives, the applicant chose to use two “on-menu” incentives for the rear yard setback reduction, but functionally, there are two “off-menu” incentives that are being requested. Stated in another way, both would be off-menu



Subject: Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real

incentives because 13 feet is higher than the on-menu height incentive (which is 11') and the 40% reduction is greater than the on-menu yard setback reduction (which is 20%).

However, regardless of whether the requested incentives are “on-menu” or “off-menu,” under the State Density Bonus law and the City’s Municipal Code, the City can only deny the requested incentives if it can make one or more of the following findings:

- The concession or incentive does not result in identifiable and actual cost reductions, consistent with the definition of “concession” or “incentive,” to provide for affordable housing costs, as defined in Health & Safety Section 50052.5, or for rents for the targeted units to be set as specified in subsection (I);
- The concession or incentive would have a specific, adverse impact upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households; or
- The concession or incentive would be contrary to state or federal law.

Based on the current record for this project, staff has not yet seen any evidence to support findings to deny the requested incentives.

Public Correspondence

After publication of the November 13, 2018 agenda report, staff received public comments from three individuals regarding this project (Attachment 4). Sue Russell with the League of Women Voters provided input on the project’s proposed affordable units, 4880 El Camino Real developer Peggy Galeb expressed concerns about the project’s side yard setback adjacent to her project and resident Roger Heyder expressed concerns about the project’s parcel merger being inconsistent with the State’s Subdivision Map Act. With regard to parcel mergers and the Subdivision Map Act, a local ordinance is required if the City was seeking to require the involuntary merger of legal parcels. However, the Subdivision Map Act does not prohibit the City from approving the voluntary merger of parcels as long as the appropriate findings are made, and legal instruments are prepared and recorded.

City Council Action

If the Council decides to approve the project, Resolution 2018-42 contains the necessary findings related to the project’s environmental review, design review, use permit, subdivision and affordable housing/density bonus applications (Exhibit A) and appropriate conditions to ensure the project is properly implemented (Exhibit B). If the Council decides to deny the project, specific negative findings will need to be made to support the action. Council will need to articulate which negative findings are being made and an updated resolution to support the action will be provided at the next available Council meeting for adoption.



Subject: Proposed Five-Story, 52-Unit Multiple-Family Building at 4856 El Camino Real

Options

1) Adopt Resolution No. 2018-42

Advantages: The project will replace an underdeveloped commercial property with a high-quality residential development that helps the City meet its goals for producing new housing units, both affordable and market rate

Disadvantages: Some existing commercial and office uses will be displaced

2) Make negative findings and deny the project

Advantages: The existing commercial and office uses will be maintained

Disadvantages: The City will not make any progress on achieving its goals for the production of new housing units

Recommendation

Consider the updated proposal and take action accordingly.

Density Bonus Report Amendment

4856 & 4846 El Camino Real

Los Altos, CA 94022

This is an amendment to the original Density Bonus Report submitted for this project. That project had a unit mix of 11 3/3's, 30 2/2's and 9 1/1s. The mix is now 9 3/3's, 32 2/2's and 11 1/1. All the original arguments in favor of a split BMR allocation (for sale and rental), still apply. In summary, the developer is offering 10 BMR units, four (4) "for sale" and six (6) rental. In exchange, we're taking units 407 and 507 (3BR/3BA) and converting them to a mix of 2BR/2BA and 1BR/1BA units with **no net increase in building size**. This creates a 52-unit building and was done to create smaller units that are more affordable by design.

Density Bonus Analysis

The last application was a 50-unit project with eight (8) BMR units offered, (6) units at very-low and (2) units at moderate income levels. The total size of the proposed 8 BMR units was 7,575 net square feet.

This amendment has 52-units offering ten (10) BMR units that occupy 10,996 net square feet. This is a difference of 3,421 square feet which means all space gained by the 3rd incentive is allocated to BMR housing. The gains from the encroachment incentives (about 6200sf) were included in the previous BMR allocation. Ultimately, we're giving up more space in BMR units than is gained by the incentives.

	FOR SALE		RENTAL
	Moderate	Low	Very Low
3Bedroom (Units 110 & 210 – 3,138sf)	2		
2Bedroom SALE (Units 101 & 307 – 2,477sf)	1	1	
2Bedroom RENTAL (Units 105 & 207 – 2,250sf)			2
1Bedroom (Units 209, 302, 402, 502 – 3,131sf)			4
10 Units Overall at 10,996sf	3	1	6

SALE UNITS

The baseline value of the "for sale" 3 bedroom BMR units is \$2,629,764. Using \$150,250 moderate income for a family of four (30% used for mortgage at 4.92%, 30 yr fixed), means a unit value of \$650,000.00. This results in a loss of \$1,329,764 for the two 3 bedroom units.

The baseline value of the "for sale" 2 bedroom BMR units is \$2,075,726. Using \$135,250 moderate income and \$84,017 low-income for a family of three (30% used for mortgage at 4.92%, 30 yr fixed), means a unit value of \$570,000 and \$400,000 respectively. This results in a loss of \$1,105,726 for the two 2-bedroom units.

RENTAL UNITS

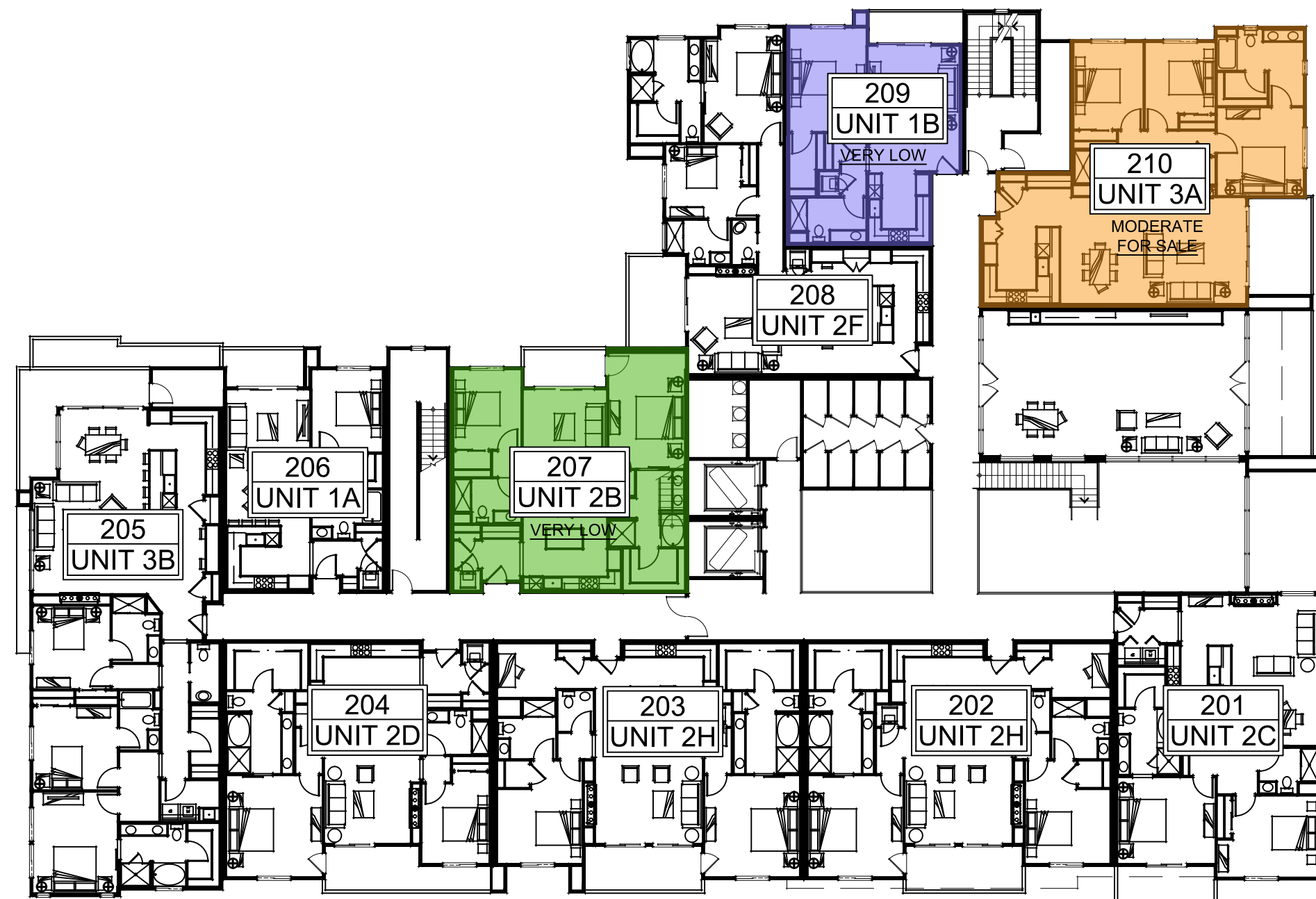
The baseline value of the 2 bedroom rental BMR units is \$1,890,000 and the 1 bedroom rental units is \$2,630,040. All are allocated to very low income households and assume two (2) people per 1 bedroom unit and three (3) people per 2 bedroom unit. Current 1BR rent is \$977/mo and 2BR is \$1087/mo based on HCD rates.

The cumulative net income over 55 years for the 2 bedroom units is \$1,069,572 resulting in a net loss to the developer of \$820,428. The cumulative income over 55 years for the 1 bedroom units is \$5,083,810 resulting in a net loss to the developer of \$2,453,770.

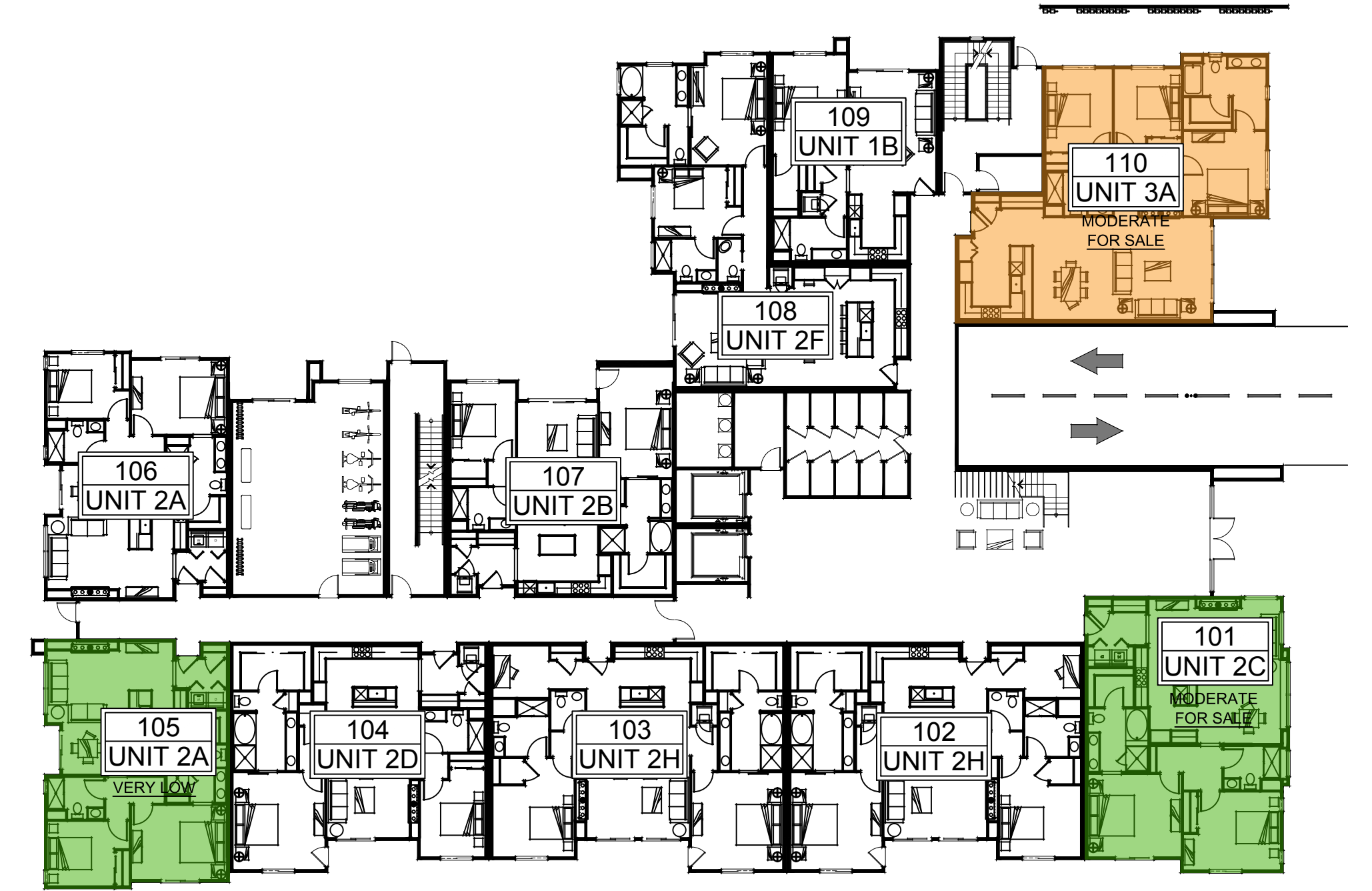
Overall losses to the developer for provision of all for BMR sale and rental units is \$5,709,618.



THIRD FLOOR



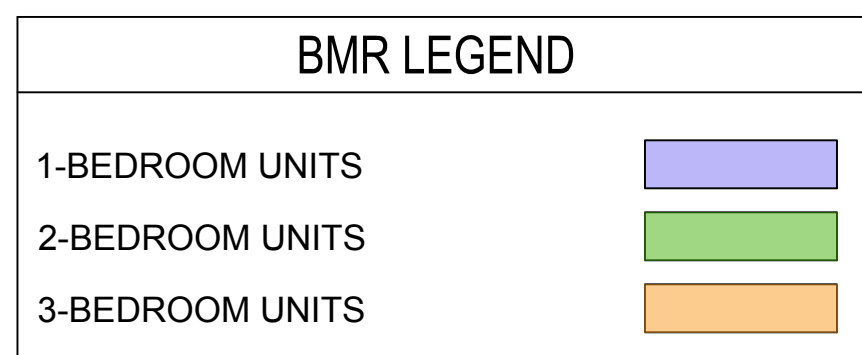
SECOND FLOOR



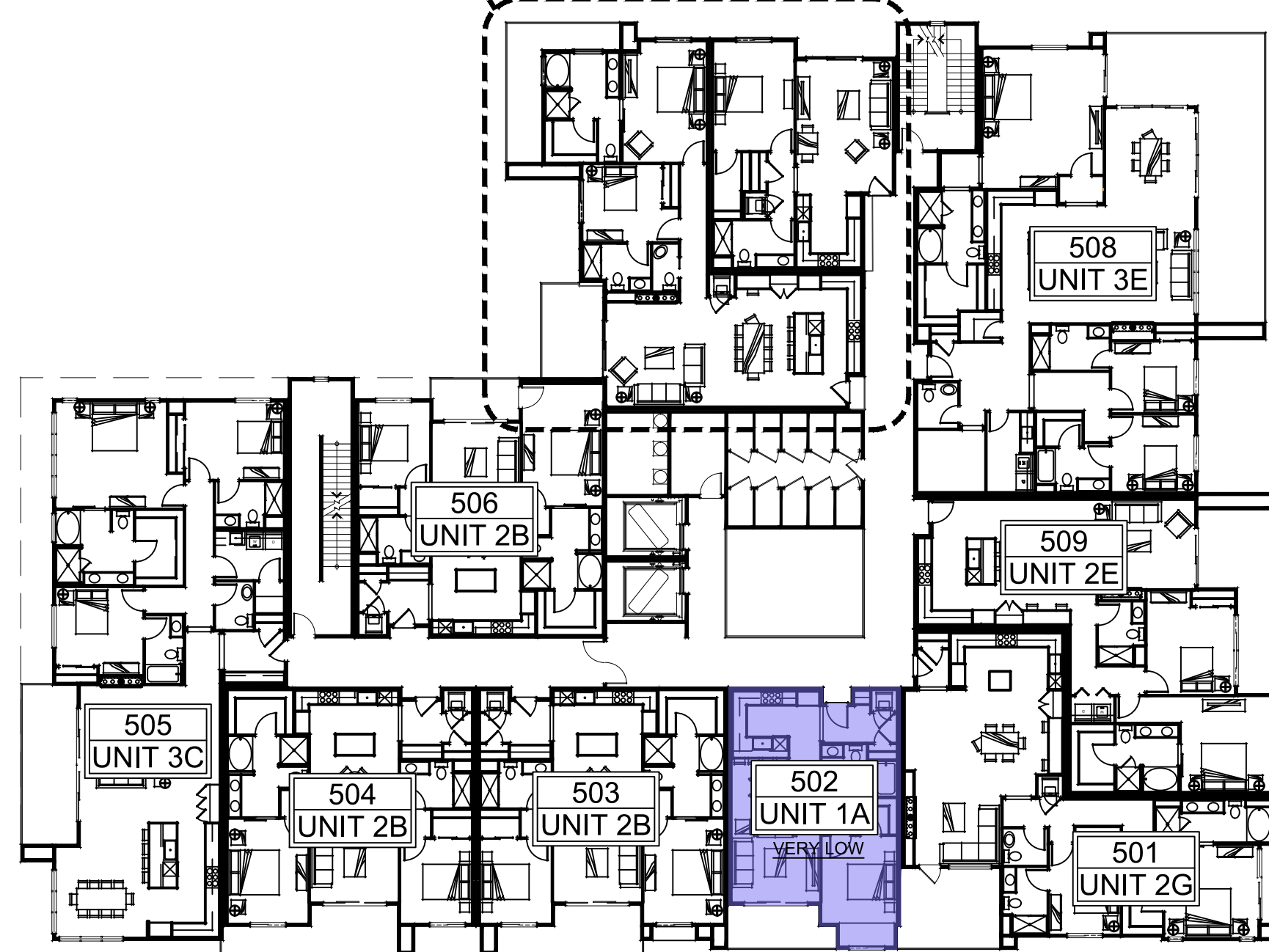
FIRST FLOOR

BELOW MARKET RATE UNITS

FLOOR:	UNIT:	RATE:	STATUS:	TYPE:	SQ. FT.:	CONFIGURATION:
FIRST FLOOR:	UNIT 101:	MODERATE	FOR SALE	TYPE 2C	+/-1308 SF	2 BEDROOM / 2 BATHROOM
	UNIT 105:	VERY LOW	RENTAL	TYPE 2A	+/-1081 SF	2 BEDROOM / 2 BATHROOM
	UNIT 110:	MODERATE	FOR SALE	TYPE 3A	+/-1569 SF	3 BEDROOM / 2 BATHROOM
SECOND FLOOR:	UNIT 207:	VERY LOW	RENTAL	TYPE 2B	+/-1169 SF	2 BEDROOM / 2 BATHROOM
	UNIT 209:	VERY LOW	RENTAL	TYPE 1B	+/- 785 SF	1 BEDROOM / 1 BATHROOM
	UNIT 210:	MODERATE	FOR SALE	TYPE 3A	+/-1569 SF	3 BEDROOM / 2 BATHROOM
THIRD FLOOR:	UNIT 302:	VERY LOW	RENTAL	TYPE 1A	+/- 782 SF	1 BEDROOM / 1 BATHROOM
	UNIT 307:	LOW	FOR SALE	TYPE 2B	+/-1169 SF	2 BEDROOM / 2 BATHROOM
FOURTH FLOOR:	UNIT 402:	VERY LOW	RENTAL	TYPE 1A	+/- 782 SF	1 BEDROOM / 1 BATHROOM
FOURTH FLOOR:	UNIT 502:	VERY LOW	RENTAL	TYPE 1A	+/- 782 SF	1 BEDROOM / 1 BATHROOM

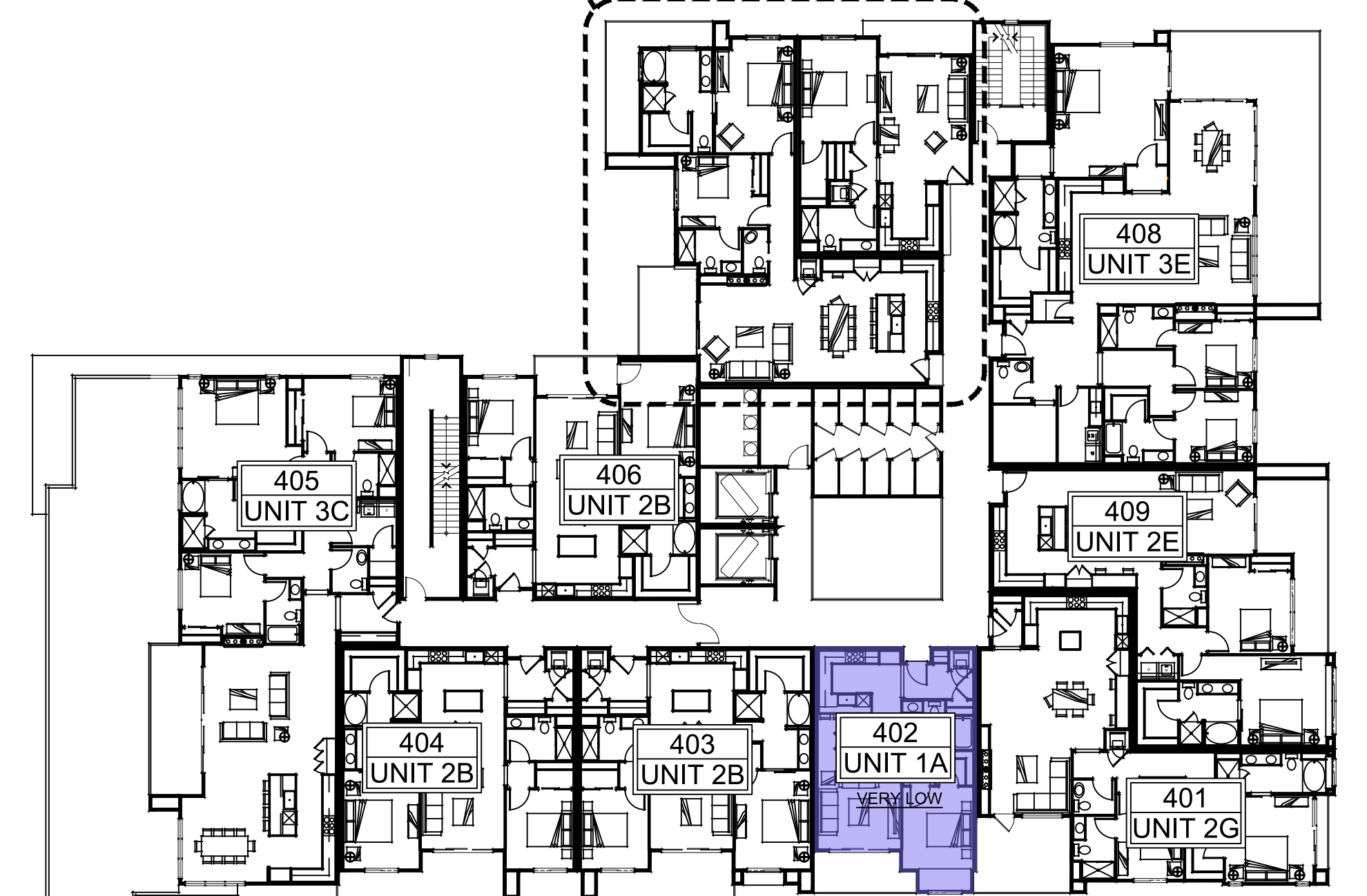


3-BEDROOM UNIT TYPE 3D CONVERTED TO:
1-BEDROOM UNIT TYPE 1B
2-BEDROOM UNIT TYPE 2F



FIFTH FLOOR

3-BEDROOM UNIT TYPE 3D CONVERTED TO:
1-BEDROOM UNIT TYPE 1B
2-BEDROOM UNIT TYPE 2F



FOURTH FLOOR

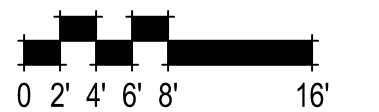
ALTOS ONE

4846 & 4856 El Camino Real
Los Altos, CA
October 11, 2018

LUXONE LLC

572 Chimalus Dr.
Palo Alto, CA 94306

52 UNIT BUILDING



**T3B
BMR ALLOCATION 52 UNITS**

3361 Walnut Blvd. Suite 120 Brentwood, CA 94513
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SDG Architects, Inc.

Los Altos Below Market Rate (BMR) Purchase Program

PARC REGENT – A community for ages 55+

One Bedroom BMR Condo For Sale



Sale Price: \$252,774.00

- Gated community; garden setting
- Close to downtown
- Close to golf, hiking & bike trails
- Elevator
- Pool, Hot tub & Gym
- Community Room
- High ceilings
- Move-in in condition

BMR Program Information:

1. Interested buyers must apply through the Los Altos BMR program

- Applicants must submit an application by 4:00pm Friday, December 14th, 2018 with loan pre-approval & supporting documents. For an application packet, please e-mail Palo Alto Housing at bmr@pah.community with subject line Los Altos BMR, or download directly from Palo Alto Housing's website: <http://pah.community/resources/los-altos/purchase-program/>
- Applications accepted for priority ranking purchases

2. Household income limits & deed restrictions apply

- Must be owner occupied during ownership
- Homes must be resold at the BMR price during the restricted period
- Maximum household income limits below

Household Size	1	2	3
Max Household Income 120% AMI (moderate income) <i>Maximum household size is three persons</i>	\$111,720	\$127,680	\$143,640

Maximum household income limits are based on CA's Department of Housing & Community Development's *Area Median Income (AMI) assignments for Santa Clara County Prices, terms and financing approvals all contingent on qualifications and are subject to change without notice.

Homes are part of the City of Los Altos' BMR Program. Program will limit value of the home and to whom it can be resold to.



RESOLUTION NO. 2018-42

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS MAKING FINDINGS, ADOPTING AN EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AND APPROVING THE DESIGN REVIEW, USE PERMIT AND SUBDIVISION APPLICATIONS FOR A NEW 52-UNIT MULTI-FAMILY PROJECT AT 4856 EL CAMINO REAL

WHEREAS, the City of Los Altos received a development application from Mircea Voskerician, LuxOne LLC (Applicant), for a new 52-unit multiple-family residential building at 4846 and 4856 El Camino Real that includes Design Review 18-D-01, Use Permit 18-UP-01 and Subdivision 18-SD-01, referred to herein as the “Project”; and

WHEREAS, said Project is located in the CT District, which allows multiple-family housing as a conditional use at a maximum density of 38 dwelling units per net acre of land; and

WHEREAS, said Project has a net site area of 0.72 acres (31,576 square feet), which will allow for a base residential density of 28 dwelling units; and

WHEREAS, the Applicant is offering three moderate income, one low income and six very-low income affordable housing units for sale as part of the Project; and

WHEREAS, the Applicant’s proposed unit mix would consist of 35.7 percent of its base density as affordable units, with 21.4 percent of the units affordable at the very-low income level, thereby entitling the project to receive density bonuses and qualifying for incentives, concessions and waivers pursuant to Los Altos Municipal Code Section 14.28.040 and Government Code Section 65915, *et seq.*; and

WHEREAS, the Applicant is seeking incentives under Government Code Section 65915(e) and Los Altos Municipal Code Section 14.28.040(F) to allow: a) a building with a primary height of 58 feet and a height of 35 feet for the rear portion, where the Code allows for 45 feet and 30 feet, respectively; and b) a rear yard setback of 60 feet for the five-story portion of the building, where the Code requires a rear yard setback of 100 feet; and

WHEREAS, the Applicant is seeking further waivers under Government Code Section 65915(e) and Los Altos Municipal Code Section 14.28.040(H) to allow: a) the elevator tower to be 17.9 feet above the roof, where the Code allows such structures to be 12 feet above the roof; and b) enclosed roof top structures at 4.6 percent of the roof area, where the Code limits such structures to four percent of the roof area; and

WHEREAS, the Applicant is seeking a parking requirement alteration under Government Code Section 65915(e) and Los Altos Municipal Code Section 14.28.040(G) to allow for a reduction in the minimum onsite parking requirement; and

WHEREAS, the Applicant is seeking a 82.5 percent density bonus and the above-described incentives and waivers to allow development of the Project pursuant to Government Code 65915 and Los Altos Municipal Code Section 14.28.040(E)(7), which allows the City to grant a density bonus

greater than the 35 percent provided as of right for projects providing more than 11 percent of its units as affordable at the very-low income level; and

WHEREAS, said Project is exempt from environmental review as in-fill development in accordance with Section 15332 of the California Environmental Quality Act of 1970 as amended (“CEQA”); and

WHEREAS, said Project has been processed in accordance with the applicable provisions of the California Government Code and the Los Altos Municipal Code; and

WHEREAS, on May 23, 2018, the Complete Streets Commission held a public meeting on the Project and at the conclusion of the meeting voted to recommend approval to the Planning Commission and City Council; and

WHEREAS, on August 14, 2018 the Applicant installed story poles on the site per the modified story pole plan that was approved by the City Council on May 8, 2018; and

WHEREAS, on September 4, 2018 the City gave public notice of the Planning Commission’s public hearing on the proposed Project by advertisement in a newspaper of general circulation and to all property owners within a 500-foot radius; and

WHEREAS, on September 20, 2018, the Planning Commission conducted a duly-noticed public hearing at which members of the public were afforded an opportunity to comment upon the Project, and at the conclusion of the hearing, the Planning Commission recommended that the City Council approve the Project; and

WHEREAS, on November 13, 2018 and November 27, 2018, the City Council held duly noticed public meetings as prescribed by law and considered public testimony and evidence and recommendations presented by staff related to the Project; and

WHEREAS, all the requirements of the Public Resources Code, the State CEQA Guidelines, and the regulations and policies of the City of Los Altos have been satisfied or complied with by the City in connection with the Project; and

WHEREAS, the findings and conclusions made by the City Council in this Resolution are based upon the oral and written evidence presented as well as the entirety of the administrative record for the proposed Project, which is incorporated herein by this reference. The findings are not based solely on the information provided in this Resolution; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby approves the Project subject to the findings and the conditions of approval attached hereto as “Exhibit A” and “Exhibit B,” and incorporated by this reference.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 27th day of November 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK

EXHIBIT A

FINDINGS

1. ENVIRONMENTAL REVIEW FINDINGS. With regard to environmental review, in accordance with Section 15332 of the California Environmental Quality Act Guidelines, based on the whole record before it, including, without limitation, the analysis and conclusions set forth in the staff reports, testimony provided at the proposed Project's public hearings, and the supporting technical studies, which include: 1) a Traffic Analysis by Hexagon Transportation Consultants (May 2018); 2) an Air Quality and Greenhouse Gas Emissions Assessment (March 2018); 3) a Noise Study by Wilson Ihrig (March 2018); and 4) an Arborist Report by Kielty Arborist Services (April 2018), the City Council finds and determines that the following Categorical Exemption findings can be made:
 - a. The Project is consistent with the applicable General Plan designation and all applicable General Plan policies as well as with the applicable zoning designation (Commercial Thoroughfare) and regulations, including density bonus, incentives and waivers for the production of affordable housing;
 - b. The Project occurs within City limits on a site of no more than five acres that is substantially surrounded by urban uses and there is no record that the site has value as habitat for endangered, rare or threatened species;
 - c. Approval of the Project will not result in any significant effects relating to traffic, noise, air quality, or water quality and the completed technical studies and staff analysis contained in the agenda report support this conclusion; and
 - d. The Project has been reviewed and it is found that the site can be adequately served by all required utilities and public services.
2. DESIGN REVIEW FINDINGS. With regard to Design Review Application 18-D-01, the City Council finds, in accordance with Section 14.76.060 of the Los Altos Municipal Code, as follows:
 - a. The Project meets the goals, policies and objectives of the General Plan with its level of intensity and residential density within the El Camino Real corridor, and all Zoning Code site standards and design criteria applicable for a project in the CT District;
 - b. The Project has architectural integrity and has an appropriate relationship with other structures in the immediate area in terms of height, bulk and design because the project utilizes high quality materials that support its architectural style and is appropriately articulated and scaled to relate to the larger buildings on the El Camino Real corridor;
 - c. Building mass is articulated to relate to the human scale, both horizontally and vertically as evidenced in the design of the projecting overhangs, bay windows and balconies, the building elevations have variation and depth and avoid large blank wall surfaces, and the project has incorporated elements that signal habitation, such as identifiable entrances, overhangs, bay windows and balconies;

- d. The Project's exterior materials and finishes convey high quality, integrity, permanence and durability, and materials are used effectively to define building elements. Materials, finishes, and colors have been used in a manner that serves to reduce the perceived appearance of height, bulk and mass, and are harmonious with other structures in the immediate area.
 - e. Landscaping such as the large specimen coral bark maple trees, Brisbane box street trees, Saratoga laurel evergreen screening trees, hedges and groundcover is generous and inviting, and landscape and hardscape features such as the custom paver walkway, board formed concrete planters and wood privacy fences are designed to complement the building and parking areas and to be integrated with the building architecture and the surrounding streetscape. Landscaping includes substantial street tree canopy including four new street trees in the public right-of-way, four new specimen coral bark maple trees in the front yard space and 11 new trees along the site perimeter;
 - f. Signage, which is limited to the building address number and other required directional signage, will be designed to complement the building architecture in terms of style, materials, colors and proportions;
 - g. Mechanical equipment is screened from public view by the building parapet and is designed to be consistent with the building architecture in form, material and detailing; and
 - h. Service, trash and utility areas are screened from public view by their locations in the building garage and behind fencing in the side yards, and consistent with the building architecture in materials and detailing.
3. USE PERMIT FINDINGS. With regard to Use Permit 18-UP-01, the City Council finds, in accordance with Section 14.80.060 of the Municipal Code, as follows:
- a. The proposed location of the multiple-family residential use is desirable and essential to the public comfort, convenience, prosperity, and welfare in that there are a limited number of sites that can accommodate new housing, the CT District has anticipated and planned for new housing along the El Camino Real corridor and the project provides housing at a variety of affordability levels;
 - b. That the proposed location of the multiple-family residential use is in accordance with the objectives of the Zoning Code since the project provides for community growth along sound lines, it is harmonious and convenient in relation to the surrounding land uses, it does not create any significant traffic impacts, it will help the City meet its affordable housing goals, it will protect and enhance property values and it will enhance the City's distinctive character with a high-quality building design in a commercial thoroughfare context;
 - c. That the proposed location of the multiple-family residential use, under the circumstances of the particular case and as conditioned, will not be detrimental to the health, safety, comfort, convenience, prosperity, or welfare of persons residing or working in the vicinity or injurious to property or improvements in the vicinity; and
 - d. That the proposed multiple-family residential use complies with the regulations prescribed for the CT District and the general provisions contained in Chapter 14.02.

4. SUBDIVISION FINDINGS. With regard to Subdivision 18-SD-01, the City Council finds, in accordance with Section 66474 of the Subdivision Map Act of the State of California, as follows:
 - a. The proposed condominium subdivision is consistent with the General Plan;
 - b. The Project site is physically suitable for this type and density of development in that the project meets all applicable Zoning requirements except where a density bonus, incentives and/or waivers have been granted;
 - c. The design of the condominium subdivision and the proposed improvements are not likely to cause substantial environmental damage, or substantially injure fish or wildlife; and no evidence of such has been presented;
 - d. The design of the condominium subdivision is not likely to cause any serious public health problems because conditions have been added to address noise, air quality and life safety concerns; and
 - e. The design of the condominium subdivision will not conflict with any public access easements as none have been found or identified on this site.

5. AFFORDABLE HOUSING AND DENSITY BONUS FINDINGS. With regard to the offered below market rate units and requested density bonus, incentives, waivers and parking requirement alteration, the City Council finds, in accordance with Los Altos Municipal Code Section 14.28.040, as follows:
 - a. The applicant is offering three moderate income units and one low income unit for sale and six very-low income affordable housing units for rent, 35.7 percent of the Project's base density, which qualifies the project for a density bonus, incentives, waivers and a parking requirement alteration;
 - b. Per Table DB 3 in Section 14.28.040(C)(1)(b), a project that offers 11 percent or more of its total units (base density) as very-low income restricted affordable units shall be granted a density bonus of 35 percent, and per Table DB 4 in Section 14.28.040(C)(1)(b), a project that offers 15 percent or more of its total units (base density) as very-low income restricted affordable units shall be granted three (3) incentives. Since the project is providing 21.4 percent of its total units as affordable at the very-low income level, the City shall grant a density bonus of at least 35 percent and three (3) incentives;
 - c. For its incentives, the project is requesting the City allow: a) a building with a primary height of 58 feet and a height of 35 feet for the rear portion, where the Code allows for 45 feet and 30 feet, respectively; and b) a rear yard setback of 60 feet for the five-story portion of the building, where the Code requires a rear yard setback of 100 feet. The height incentive is considered an "off-menu" incentive and the rear yard setback incentive is considered two (2) "on-menu" incentives (20 percent decrease in a setback);
 - d. Per Section 14.28.040(G)(2)(a), the City shall allow a minimum parking requirement, inclusive of handicapped and guest parking, of one (1) onsite parking space for each one-bedroom unit

and two (2) onsite parking spaces for each two- or three-bedroom unit if requested by the applicant. Since the project is providing 108 onsite parking spaces, where a minimum of 91 onsite parking spaces is required, it is exceeding the minimum permitted by the Code;

- e. Per Section 14.28.040(H)(1), a project can request a waiver or reduction of development standards that have the effect of physically precluding the construction of a development in addition to the density bonus and incentives permitted by the Code. Consistent with these requirements, the Applicant is seeking waivers to allow: a) the elevator tower to be 17.9 feet above the roof, where the Code allows such structures to be 12 feet above the roof; and b) enclosed roof top structures at 4.6 percent of the roof area, where the Code limits such structures to four percent of the roof area. The basis to grant the waivers is supported by the fact that they are required in order to provide the necessary amenities and accessibility for a building of this size and density, they will not have a specific, adverse impact upon health, safety, or the physical environment, they will not have an adverse impact on any listed historic resources and will not be contrary to state or federal law; and
- f. Per Section 14.28.040(E)(7), the City is permitted to grant a density bonus greater than the 35 percent. Per consultation with City staff, the City Council and Planning Commission, the Applicant is requesting a 82.5 percent density bonus, which will allow for the development of 52 dwelling units in the project. Granting of this density bonus is supported by the fact that the project is offering of 35.7 percent of its total units as affordable at the moderate, low and very-low income levels. The granting of the density bonus is further supported by the fact that the project is exceeding the minimum thresholds prescribed by the Zoning Code with regard to onsite parking, side yard setbacks, open space (both private and common), and bicycle parking. Information to support the density bonus is provided in the Density Bonus Report, which is included with the Project's staff report.

EXHIBIT B

CONDITIONS

GENERAL

1. **Approved Plans**

The project approval is based upon the Plans dated July 18, 2018, the Supplemental Plans dated October 15, 2018 and the Density Bonus Report Amendment received on November 19, 2018, except as modified by these conditions.

2. **Affordable Housing**

The applicant shall offer the City ten (10) below market rate units as follows:

- a. Two (2) three-bedroom unit at the moderate income level for sale;
- b. One (1) two-bedroom unit at the moderate income level for sale;
- c. One (1) two-bedroom unit at the low income level for sale;
- d. Two (2) two-bedroom units at the very-low income level for rent; and
- e. Four (4) one-bedroom units at the very-low income level for rent;

3. **Upper Story Lighting**

Any exterior lighting above the ground floor on the sides and rear of the building and on the rooftop deck shall be shrouded and/or directed down to minimize glare.

4. **Encroachment Permit**

An encroachment permit and/or an excavation permit shall be obtained prior to any work done within the public right-of-way and it shall be in accordance with plans to be approved by the City Engineer. *Note: Any work within El Camino Real will require applicant to obtain an encroachment permit with Caltrans prior to commencement of work.*

5. **Public Utilities**

The applicant shall contact electric, gas, communication and water utility companies regarding the installation of new utility services to the site.

6. **Americans with Disabilities Act**

All improvements shall comply with Americans with Disabilities Act (ADA).

7. **Stormwater Management Plan**

The applicant shall submit a complete Stormwater Management Plan (SWMP) and a hydrology calculation showing that 100% of the site is being treated; is in compliance with the Municipal Regional Stormwater NPDES Permit (MRP). Applicant shall provide a hydrology and hydraulic study, and an infeasible/feasible comparison analysis to the City for review and approval for the purpose to verify that MRP requirements are met.

8. **Sewer Lateral**

Any proposed sewer lateral connection shall be approved by the City Engineer.

9. Transportation Permit

A Transportation Permit, per the requirements specified in California Vehicle Code Division 15, is required before any large equipment, materials or soil is transported or hauled to or from the construction site.

10. Indemnity and Hold Harmless

The applicant/owner agrees to indemnify, defend, protect, and hold the City harmless from all costs and expenses, including attorney's fees, incurred by the City or held to be the liability of the City in connection with the City's defense of its actions in any proceedings brought in any State or Federal Court, challenging any of the City's action with respect to the applicant's project.

PRIOR TO SUBMITTAL OF BUILDING PERMIT

11. Green Building Standards

The applicant shall provide verification that the project will comply with the City's Green Building Standards (Section 12.26 of the Municipal Code) from a qualified green building professional.

12. Property Address

The applicant shall provide an address signage plan as required by the Building Official.

13. Water Efficient Landscape Plan

Provide a landscape documentation package prepared by a licensed landscape professional showing how the project complies with the City's Water Efficient Landscape Regulations.

14. Air Quality Mitigation

The applicant shall implement and incorporate the air quality mitigations into the plans as required by the report prepared by Illingsworth & Rodin, Inc., dated March 6, 2018.

15. Noise Mitigation

The applicant shall implement and incorporate the noise mitigation measures into the plans as required by the report by Wilson Ihrig, dated March 6, 2018.

16. Rooftop Deck

Provide design details for the rooftop deck sufficient enough to verify that the space can operate in compliance with the performance standards prescribed by Municipal Code Section 14.50.160.

PRIOR TO FINAL MAP RECORDATION

17. Covenants, Conditions and Restrictions

The applicant shall include the following provisions in the Covenants, Conditions and Restrictions (CC&Rs):

- a. Storage on private patios and decks shall be restricted; and rules for other objects stored on private patios and decks shall be established with the goal of minimizing visual impacts.
- b. Long-term maintenance and upkeep of the landscaping and street trees, as approved by the City, shall be a duty and responsibility of the property owners. Specifically, the landscape buffer, including both trees and landscaping, along the rear property line shall be permanently maintained as required by the CT District per Municipal Code Section 14.50.110(C).

- c. The rooftop deck shall be permanently maintained in accordance with the performance standards for Rooftop Uses in the CT District as currently prescribed by Municipal Code Section 14.50.160.
- d. Both parking spaces in a tandem space shall be owned by the same unit and cannot be owned or used by separate units.

18. Public Utility Dedication

The applicant shall dedicate public utility easements as required by the utility companies to serve the site.

19. Payment of Fees

The applicant shall pay all applicable fees, including but not limited to sanitary sewer impact fees, parkland dedication in lieu fees, traffic impact fees and map check fee plus deposit as required by the City of Los Altos Municipal Code.

PRIOR TO ISSUANCE OF BUILDING PERMIT

20. Final Map Recordation

The applicant shall record the final map. Plats and legal descriptions of the final map shall be submitted for review by the City Land Surveyor. Applicant shall provide a sufficient fee retainer to cover the cost of the map review by the City.

21. Sidewalk Lights

The applicant shall maintain the existing light fixture and/or install new light fixture(s) in the El Camino Real sidewalk as directed by the City Engineer.

22. Performance Bond

The applicant shall submit a cost estimate for the improvements in the public right-of-way and shall submit a 100-percent performance bond and 50-percent labor and material bond (to be held 6 months until acceptance of improvements) for the public right-of-way work.

23. Maintenance Bond

A one-year, ten-percent maintenance bond shall be submitted upon acceptance of improvements in the public right-of-way.

24. Storm Water Filtration Systems

The applicant shall insure the design of all storm water filtration systems and devices are without standing water to avoid mosquito/insect infestation.

25. Grading and Drainage Plan

The applicant shall submit detailed plans for on-site and off-site grading and drainage plans that include drain swales, drain inlets, rough pad elevations, building envelopes, and grading elevations for review and approval by the City Engineer.

26. Sewage Capacity Study

The applicant shall show sewer connection to the City sewer main and submit calculations showing that the City's existing 27-inch sewer main will not exceed two-thirds full due to the additional sewage capacity from proposed project. For any segment that is calculated to exceed

two-thirds full for average daily flow or for any segment that the flow is surcharged in the main due to peak flow, the applicant shall upgrade the sewer line or pay a fair share contribution for the sewer upgrade to be approved by the City Engineer.

27. Construction Management Plan

The applicant shall submit a construction management plan for review and approval by the Community Development Director and the City Engineer. The construction management plan shall address any construction activities affecting the public right-of-way, including but not limited to excavation, traffic control, truck routing, pedestrian protection, material storage, earth retention and construction vehicle parking. The plan shall provide specific details with regard to how construction vehicle parking will be managed to minimize impacts on nearby single-family neighborhoods. A Transportation Permit, per the requirements in California Vehicle Code Division 15, is required before any large equipment, materials or soil is transported or hauled to or from the site.

28. Sewer Lateral Abandonment

The applicant shall abandon additional sewer laterals and cap at the main if they are not being used. A property line sewer cleanout shall be installed within 5-feet of the property line within private property.

29. Solid Waste Ordinance Compliance

The applicant shall be in compliance with the City's adopted Solid Waste Collection, Remove, Disposal, Processing & Recycling Ordinance (LAMC Chapter 6.12) which includes a mandatory requirement that all commercial and multi-family dwellings provide for recycling and organics collection programs.

30. Solid Waste and Recyclables Disposal Plan

The applicant shall contact Mission Trail Waste Systems and submit a solid waste and recyclables disposal plan indicating the type, size and number of containers proposed, and the frequency of pick-up service subject to the approval of the Engineering Division. The applicant shall also submit evidence that Mission Trail Waste Systems has reviewed and approved the size and location of the proposed trash enclosure. The enclosure shall be designed to prevent rainwater from mixing with the enclosure's contents and shall be drained into the City's sanitary sewer system. The enclosure's pad shall be designed to not drain outward, and the grade surrounding the enclosure designed to not drain into the enclosure. In addition, applicant shall show on plans the proposed location of how the solid waste will be collected by the refusal company. Include the relevant garage clearance dimension and/or staging location with appropriate dimensioning on to plans.

31. Tree Protection

The applicant shall implement and incorporate the tree protection measures into the plans and on-site as required by staff and in accordance with the report by Kielty Arborist Services dated April 30, 2018. The project arborist shall also provide periodic monitoring of the construction site, as required by Planning staff, to ensure that the redwood trees along the rear property line are being properly protected and maintained.

32. Affordable Housing Agreement

The applicant shall execute and record an Affordable Housing Agreement, in a form approved and signed by the Community Development Director and the City Attorney, that offers 10 below

market rate units, for a period of at least 55-years, as defined in Condition No. 2. All of the below market rate units shall be constructed concurrently with the market rate units, shall be dispersed throughout the project as shown on the approved plans, and shall not be significantly distinguishable design, construction or materials.

PRIOR TO FINAL OCCUPANCY

33. Green Building Verification

The applicant shall submit verification that the structure was built in compliance with the California Green Building Standards pursuant to Section 12.26 of the Municipal Code.

34. Signage and Lighting Installation

The applicant shall install all required signage and on-site lighting per the approved plan. Such signage shall include the disposition of guest parking, the turn-around/loading space in the front yard and accessible parking spaces.

35. Acoustical Report

The applicant shall submit a report from an acoustical engineer ensuring that the rooftop mechanical equipment meets the City's noise regulations.

36. Landscape Installation and Verification

Provide a landscape Certificate of Completion, signed by the project's landscape professional and property owner, verifying that the trees, landscaping and irrigation were installed per the approved landscape documentation package.

37. Condominium Map

The applicant shall record the condominium map as required by the City Engineer.

38. Driveway Visibility

The applicant shall work with the Engineering Division to indicate a sufficient no parking area along El Camino Real to the north of the driveway to provide adequate sight visibility.

39. Sidewalk in Public Right-of-Way

The applicant shall install new sidewalk, vertical curb/gutter, and driveway approaches along the property's full frontage of El Camino Real as required by the City Engineer.

40. Public Infrastructure Repairs

The applicant shall repair any damaged right-of-way infrastructures and otherwise displaced curb, gutter and/or sidewalks and City's storm drain inlet shall be removed and replaced as directed by the City Engineer or his designee. The applicant is responsible to resurface (grind and overlay) half of the street along the frontage of El Camino Real if determined to be damaged during construction, as directed by the City Engineer or his designee. *Note: Any work within the El Camino Real will require applicant to obtain encroachment permit with Caltrans prior to commencement of work.*

41. SWMP Certification

The applicant shall have a final inspection and certification done and submitted by the Engineer who designed the SWMP to ensure that the treatments were installed per design. The applicant shall submit a maintenance agreement to City for review and approval for the stormwater

treatment methods installed in accordance with the SWMP. Once approved, City shall record the agreement.



DISCUSSION CALENDAR

Agenda Item # 5

AGENDA REPORT SUMMARY

Meeting Date: November 13, 2018

Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

Prepared by: Zachary Dahl, Planning Services Manager

Reviewed by: Jon Biggs, Community Development Director

Approved by: Chris Jordan, City Manager

Attachment(s):

1. Resolution No. 2018-42
2. Applicant Cover Letter (received with November 13, 2018 Agenda Packet)
3. Planning Commission Meeting Minutes, September 20, 2018 (received with November 13, 2018 Agenda Packet)
4. Planning Commission Agenda Report, September 20, 2018 (received with November 13, 2018 Agenda Packet)
5. Public Correspondence (received with November 13, 2018 Agenda Packet)
6. Project Design Revisions Supplemental Plans (received with November 13, 2018 Agenda Packet)
7. Full Project Plans

Initiated by:

Applicant and Owner – Mircea Voskerician, LuxOne LLC

Previous Council Consideration:

- January 16, 2018 (City Council-Planning Commission Joint Study Session)
- May 8, 2018 (Story Pole Exemption Request)
- July 10, 2018 (Story Pole Exemption Request)

Fiscal Impact:

The project will result in the following estimated financial contributions to the City:

- Park in-Lieu Fees: \$1,775,000 (\$35,500/multiple-family dwelling unit)
- Traffic Impact Fees: \$207,950 (\$4,159/multiple-family dwelling unit)

Environmental Review:

The project is exempt from environmental review as in-fill development in accordance with Section 15332 of the California Environmental Quality Act of 1970 as amended.

Policy Question(s) for Council Consideration:

- Is the proposal of the eight (8) affordable (below market rate) units in exchange for a density bonus, incentives, waivers and parking requirement alteration consistent with State Law and the City's Affordable Housing Ordinance?



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

- Does the proposal meet the required findings for design review, a use permit and subdivision per the Los Altos Municipal Code?

Summary:

- This is a development proposal for a new five-story, multiple-family residential building with 50 condominium units, a rooftop common area and a two-level underground parking garage
- The proposal is offering two moderate-income and six very-low-income affordable housing units for sale, 28.6 percent of the Project's base density, which qualifies the project for a density bonus, incentives, waivers and a parking requirement alteration. The proposal is seeking a 75.25 percent density bonus, development incentives to allow for increased height and a reduced rear yard setback, waivers to allow for a taller elevator tower and larger area for rooftop structures, and a reduction in the minimum onsite parking requirement
- The Complete Streets Commission and the Planning Commission have reviewed the proposal at public meetings and recommend approval of the project

Planning Commission / Staff Recommendation:

Adopt Resolution No. 2018-42, which will approve Design Review application 18-D-01, Use Permit application 18-UP-01 and Subdivision application 18-SD-01 for a new 50-unit multiple-family development at 4856 El Camino Real



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

Purpose

Consider the recommendation from the Planning Commission and take action on the development application, which includes design review, a use permit and a tentative map for a new five-story, 50-unit multiple-family condominium building at 4856 El Camino Real.

Background

Site Setting

The existing site, which includes two parcels, is designated as a “Thoroughfare Commercial” land use in the General Plan and Zoned CT (Commercial Thoroughfare). The site is 31,576 square feet (0.73 acres) in size and includes an existing one-story commercial building currently occupied with office uses at 4846 El Camino Real and a two-story mixed-use building with personal service and office uses at 4856 El Camino Real. It is adjacent to commercial uses to the northwest and across El Camino Real to the northeast, and multiple-family uses to the southwest (two-story apartment buildings) and southeast (new condominiums currently under construction).

El Camino Real Moratorium

The project was originally scheduled for a Planning Commission study session on October 6, 2016. However, on October 4, 2016, the City Council held a special meeting to adopt an urgency ordinance to establish a temporary moratorium on development within the El Camino Real corridor. On November 15, 2016, the City Council extended the moratorium on development within the El Camino Real corridor for an additional four months in order to review the zoning regulations and design standards along El Camino Real. On March 14, 2017, the City Council extended the moratorium an additional eight months in order to continue their review of changes and updates to the zoning regulations. Subsequently, the City adopted Zoning Code amendments related to the site standards for the CT District (Ordinance No. 2017-436) and affordable housing (Ordinance No. 2017-435). On November 15, 2017, the moratorium expired and the development proposal on the project site was allowed to proceed again.

City Council-Planning Commission Joint Study Session

On January 16, 2018, the City Council held a joint study session with the Planning Commission to consider, among other things, a proposal from the Applicant to evaluate two alternative designs for the multiple-family project on the site. Both projects would be five-stories and similar in overall size, but one would require a density bonus over 35 percent and offer the City additional affordable units. The first proposal included 38 units with five (5) affordable units, utilizing a 35-percent density bonus with mostly two- and three-bedroom units. The second proposal included 50 units with eight (8) affordable units, utilizing a 75.25 percent density bonus with an increased number of one- and two-bedroom units and fewer three-bedroom units. Following a presentation by the Applicant and public comment, the Council and Commission discussed the proposals, with a consensus of both bodies expressing support for the higher density proposal since it would provide the City with additional



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

affordable units and reduce the average size of all the units in the project; thus, making them more affordable by design.

Planning Commission Study Session

On April 19, 2018, the Planning Commission held a study session to review and provide feedback on the project's architectural and site design. Overall, the Commission, with only four members present, expressed general support for the project design, but noted that it should consider an improved mix of exterior materials, reduce the amount of stucco used, make sure landscaping along the side property lines was shade tolerant, and consider a different mix of exterior colors. A copy of the Planning Commission study session minutes is included with the Planning Commission agenda report.

Complete Streets Commission

On May 23, 2018, the Complete Streets Commission held a public meeting to consider the Project. As specified by the Zoning Code, the Commission is tasked with reviewing the bicycle, pedestrian, parking and traffic elements of a development application and providing an advisory recommendation to the Planning Commission and City Council. The Commission expressed general support for the Project, but noted concern about the project increasing traffic on nearby side streets, potential parking spill-over on nearby residential streets and an increase in traffic on streets like Jordan Avenue, potentially creating an unsafe path for school kids. The Commission also expressed concern that the project's bike parking was underestimated, even though it significantly exceeded VTA's bicycle parking guidelines. Following the discussion, the Commission voted unanimously to recommend approval of the project to the Planning Commission and City Council. A copy of the Complete Streets Commission meeting minutes is included in the Planning Commission agenda report.

Story Pole Exemption and Installation

On May 8, 2018, the City Council held a public meeting to consider a request from the Applicant for an exemption from the City's Story Pole Policy due to safety concerns and impairment of the use of the existing structures on the site. The exemption request proposed a modified story pole plan that installed some, but not all, of the story poles required by the Policy. Following a discussion with the Applicant, the Council voted to approve the exemption request with the modified story pole plan.

On July 10, 2018, due to complications with the story pole installation, the Applicant returned to City Council and requested a full exemption from the City's Story Pole Policy. Following a discussion with the Applicant, the Council voted to deny the exemption request and directed staff to require the modified story pole plan be implemented before the project was scheduled for review by the Planning Commission.

On August 15, 2018, staff received a certification letter from the project's civil engineer verifying that the story poles had been installed per the approved plan. A copy of the certification letter and the approved story pole plan is included in the Planning Commission agenda report.



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Planning Commission

On September 20, 2018 the Planning Commission held a public hearing to consider the Project. Following a presentation from the Applicant and project architect, Jeff Potts, and comments from one member of the public who expressed support, the Commission discussed the proposal. The Commission expressed general support for the Project, noting that the design had significantly improved to address past comments, the project plans and support information was very thorough and comprehensive, and the amount of onsite parking, bicycle parking and open space significantly exceed the minimum requirements. However, some concerns were raised regarding the mix of exterior materials, the amount of stucco that was proposed and that the number of affordable units may not justify the density bonus request. After the discussion, the Commission voted 6-1 to recommend approval of the Project with following additional recommendations:

- The exterior design should be updated to address the Planning Commission's concerns and come back to the Commission for final approval prior to submittal of a building permit;
- Consider increasing the size and/or number of bedrooms in the BMR units and modifying income levels to best meet the City's needs of for-sale BMR units;
- Add a finding that notes additional project amenities, such as parking ratio, significant amount of open space, bike parking, and larger side yard setback, contributed to approval of the 75% density bonus; and
- The Construction Management Plan should outline how construction parking impacts on the nearby neighborhood will be minimized.

The Planning Commission meeting minutes and agenda report are attached for reference (Attachments 3 and 4).

Discussion/Analysis

Design Revisions

In response to the comments made by the Planning Commission, the Applicant made the following revisions to the Project:

- The size of the smallest one-bedroom affordable unit was increased by replacing unit 502, a 782 square-foot unit on the fifth floor, with unit 311, a 902 square-foot unit on the third floor;
- All foam window trim was removed, and the windows were recessed into the wall plane;
- The board formed concrete façade on the planters and lower walls was revised to be clad with tan/brown Equitone, a cement panel exterior cladding material, to improve the building's aesthetic and be more compatible with the other exterior materials;
- The Equitone cladding was also used to replace some of the stucco walls to reduce the amount of stucco used on the building;



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

- The front entrance façade was revised to improve the design composition and breakup the appearance of it being a large glass storefront; and
- The design of the upper floor of the building was revised to include additional transom windows and lighter elements to avoid any perception of excessive bulk at the top of the building.

The applicant's cover letter (Attachment 2) provides additional information about the project revisions and the Supplemental Plans (Attachment 6) illustrate how the changes will be incorporated into the project. The full set of plans reviewed by the Planning Commission is included as Attachment 7.

Planning Commission Recommendations

To address the recommendations from the Planning Commission, Resolution No. 2018-42 has been updated to include a finding that notes the additional project amenities, such as parking ratio, significant amount of open space, bike parking, and larger side yard setback, contribute to approval of the 75.25 percent density bonus, and the Constriction Management Plan condition (No. 27) has been updated to ensure that construction vehicle parking will be managed to minimize impacts on nearby single-family neighborhoods.

With regard to increasing the size and/or number of bedrooms in the affordable units and modifying income levels to best meet the City's needs of for-sale affordable units, the applicant has upgraded the size of one of the one-bedroom affordable units. However, beyond that, it is up to the Council to determine if the proposed number, size and bedroom mix of affordable units is appropriate to support the density bonus request.

With regard to the Commission's recommendation that the exterior design should be updated to address their concerns and come back to the Commission for final approval prior to submittal of a building permit, the applicant has updated the exterior design of the project in an attempt to address the Commission's concerns. The Council should determine whether the design revisions are sufficient to address the issues raised by the Commission or if the project should be conditioned to go back to the Planning Commission for final exterior design approval. If the project is directed to go back to the Commission for final exterior design approval, the Council should provide direction on what exterior elements should be revised or updated.

Affordable Housing - Density Bonus and Development Incentives

The project exceeds the City's affordable housing regulations by providing eight (8) affordable housing units, where three (3) are required. Chapter 14.28 of the Municipal Code requires at least 10 percent of the units be affordable at the moderate and low/very-low income levels¹. Since the base density for

¹ Because the project application was deemed complete on June 8, 2018, it is not subject to the City's recently adopted 15 percent affordable housing requirement, which went into effect on October 26, 2018.



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

the project is 28 dwelling units, the project must provide 2.8 (rounded up to three) affordable units. By providing two (2) moderate income units and one (1) very-low income unit, the project is in compliance with the City's Affordable Housing Ordinance.

Housing Element program 4.3.2 requires that affordable housing units generally reflect the size and number of bedrooms of the market rate units. In this case, the overall project is proposing nine (9) one-bedroom units, 30 two-bedroom units and 11 three-bedroom units. Of this unit mix, one (1) three-bedroom unit is designated affordable at the moderate income level, one (1) two-bedroom unit is proposed at the moderate income level and six (6) one-bedroom units are proposed at the very-low income level. While the mix of affordable units incorporates a larger number of one-bedroom units than the average of the market rate units, given the high percentage of overall affordable units proposed, it appears that this mix of affordable housing meets the intent of the program. However, as noted above, the Planning Commission recommended that the Council consider increasing the size and/or bedrooms in the affordable units and modifying income levels to best meet the City's needs of for-sale affordable units.

Under the State's density bonus regulations (Section 65915 of the California Government Code) and the City's Affordable Housing Ordinance (Zoning Code Chapter 14.28), the project qualifies for a density bonus if it provides at least five percent very-low income units. With six (6) affordable units at the very-low income level and two (2) affordable units at the moderate level, the project is providing a total of 28.6 percent of its base density as affordable, with 21.4 percent of the units affordable at the very-low income level. Since providing 11 percent very-low income units would entitle the project to receive a 35 percent density bonus, staff believes it is reasonable to consider affording a project such as this, with a substantially higher percentage of very-low income units, with a density bonus that exceeds the maximum the City would be required to allow under State law or the City's Affordable Housing Ordinance. Both State law and the City's Ordinance allow for the City to grant a density bonus over 35 percent if an appropriate number of additional affordable units are proposed. In this case, the Applicant is seeking a density bonus of 75.25 percent in exchange for the above-mentioned mix of affordable units. Specifically, Los Altos Municipal Code Section 14.28.040(E)(7) provides for "optional density bonuses," allowing the City to grant a density bonus greater than the percentage the project is entitled to as of right. The granting of the density bonus is further supported by the fact that the project is exceeding the minimum thresholds prescribed by the Zoning Code regarding onsite parking, side yard setbacks, open space (both private and common), and bicycle parking. Information to support the density bonus request is provided in the Applicant's Density Bonus Report, which is included in the Planning Commission agenda report.

In addition to the density bonus, since the project is providing more than 15 percent of its units as affordable at the very-low income level, it qualifies for three development incentives per State law and City Ordinance. To help guide incentives requested by developers and ensure that the incentives do not result in any adverse impacts, the City adopted a list of on-menu incentives or concessions.



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

However, per State law and City Ordinance, a project may still request any incentive or concession that the applicant deems appropriate in exchange for the affordable units being provided (off-menu). In this case, the applicant is seeking a height incentive to allow the project to exceed the maximum height limit of 45-feet by 13-feet (off-menu) and to reduce the rear yard setback incentive for the upper floors of the building from 100 feet to 60 feet. Because the rear yard setback is being reduced by 40 percent, the request constitutes two on-menu (20 percent reduction) incentives.

The project is also seeking two waivers, which are considered more minor in nature, are necessary to construct the project and do not require use of an incentive or concession. In this case, the project is seeking a waiver for the height of its elevator tower to go beyond the 12-foot limit since there are no elevators commercially available that can comply with the 12-foot height limit for a building of this height. The project is also seeking a waiver to allow the size of the rooftop structures that enclose the elevator, stairways and trash chutes to exceed the maximum four percent threshold by 0.6 percent. Both of these waiver requests appear appropriate and reasonable for a project of this size and scope.

The project also qualifies for a parking requirement alteration per the City's Affordable Housing Ordinance. For projects that qualify for a density bonus, the minimum parking requirement, inclusive of handicapped and guest parking, shall be one onsite parking space for each one-bedroom unit and two onsite parking spaces for each two- or three-bedroom unit, if requested by the applicant. Since the project is providing 108 onsite parking spaces, where a minimum of 91 onsite parking spaces is required, it is exceeding the minimum permitted by the Code.

Under State law and City Ordinance, the City must give deference to the Applicant on granting the requested incentives and waivers unless it can make one or more of the following findings:

- The concession or incentive does not result in identifiable and actual cost reductions, consistent with the definition of "concession" or "incentive," to provide for affordable housing costs, as defined in Health & Safety Section 50052.5, or for rents for the targeted units to be set as specified in subsection (I);
- The concession or incentive would have a specific, adverse impact upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households; or
- The concession or incentive would be contrary to state or federal law.

A Density Bonus Report that supports the density bonus and development incentive requests was prepared by the Applicant and is included as an attachment in the Planning Commission agenda report (Attachment 4).



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

For reference, the moderate income housing units would be limited in cost to be affordable to a household that makes no more than 120 percent of the County's median income and the very-low income housing units would be limited in cost to be affordable to a household that makes no more than 50 percent of the County's median income. The County's 2018 median income for a family of four is \$125,200 per HCD calculations.

Environmental Review

The project site, which is 0.73 acres in size, is considered a small in-fill site that is substantially surrounded by urban uses and does not contain significant natural habitat for endangered species. The development proposal is consistent with the General Plan and Zoning Ordinance, does not result in any significant effects related to traffic, noise, air or water quality, and is adequately served by all required utilities and public services. Therefore, in accordance with Section 15332 of the California Environmental Quality Act (CEQA) Guidelines the project is exempt from further environmental review.

With regard to traffic, Implementation Program C8 in the General Plan's Circulation Element requires a transportation impact analysis (TIA) for projects that result in 50 or more net new daily trips. As outlined in the project's traffic report prepared by Hexagon Transportation Consultants (included in the Planning Commission agenda report, Attachment 4), the proposed project will generate 272 average daily trips as compared with the property's existing uses, which include a mix of office and personal service uses, that generate 228 average daily trips. Since the net increase is only 44 average daily trips, a full TIA is not required for this project.

With regard to air quality, since the project is located on a State Highway, the project could potentially expose long-term residents to air pollution and the project's construction has the potential to create short-term air pollution impacts. To address these potential impacts, an air quality and greenhouse gas emission assessment was prepared for the project by Illingworth & Rodkin (included in the Planning Commission agenda report, Attachment 4). The assessment provides appropriate mitigation measures for controlling dust and exhaust during construction, air filtration for the dwellings, and construction equipment emission guidelines. The report's recommended mitigations are included as conditions of approval. With regard to greenhouse gas emissions, the project does not exceed any of the significant thresholds as specified by the Bay Area Quality Management District's Clean Air Plan, so no mitigation measures are required. The applicant has also completed the City's Climate Action Plan checklist for new development (included in the Planning Commission agenda report, Attachment 4) and will be complying with all applicable requirements to ensure that the project supports the City's greenhouse gas emission reduction targets.

Regarding noise, due to the site's proximity to a State Highway, the project is located in an area that may expose its residents to higher noise levels and the project's rooftop mechanical equipment may generate off-site noise levels that exceed thresholds established in the City's Noise Control Ordinance.



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To address these potential noise impacts, a noise study was prepared by Wilson Ihrig (included in the Planning Commission agenda report, Attachment 4). To ensure that there are no significant noise impacts, the study recommends mitigation measures that specify certain types of exterior glazing, exterior wall construction and supplemental ventilation, and rooftop mechanical equipment noise controls so that the noise levels do not exceed City standards. Appropriate conditions of approval to ensure that the project is designed to comply with the noise study mitigation measures are included.

To evaluate potential tree impacts, an arborist report was prepared by Kiely Arborist Services (included in the Planning Commission agenda report, Attachment 4). The arborist report evaluated the condition of 13 existing trees on the site and along its El Camino Real frontage and provided tree protection measures for the trees that are proposed to remain. All significant trees on the site, which include the nine (9) mature redwood trees along the rear property line, are proposed to remain and are identified as being in good health. Four smaller trees, three of which are along El Camino Real, are proposed for removal. The tree protection measures for the redwood trees along the rear have been appropriately incorporated in the conditions of approval.

Overall, as documented above, the project's technical studies support the finding that the project meets the criteria and conditions to qualify as an in-fill development project that is exempt from further environmental review.

Public Contact and Correspondence

For this meeting and the Planning Commission public hearing, public meeting notices were mailed to the 154 property owners, business and residential tenants within 500 feet of the site. A public notice billboard with color renderings was installed along the project's El Camino Real frontage and story poles to represent the corners of the building and the elevator tower, as approved by the City Council (see discussion above) were installed.

In addition to the required public notification, the applicant has conducted specific outreach to the owners of the directly adjacent properties, the tenants in the apartment buildings to the rear and the owners of the Los Altos Square Townhomes to the south and west of the project. To-date, staff has not received any correspondence from any nearby property owners or tenants regarding this prospect. However, staff has received a letter of support for the project from Carl Guardino with the Silicon Valley Leadership Group (Attachment 5).

City Council Action

The necessary findings related to the project's environmental review, design review, use permit, subdivision and affordable housing/density bonus applications to approve the project are contained in Exhibit A of the Resolution, and appropriate conditions to ensure the project is properly implemented are contained in Exhibit B. Based on the information contained in this report, the options for City Council action are listed below.



Subject: Proposed Five-Story, 50-Unit Multiple-Family Building at 4856 El Camino Real

Options

1) Approve Resolution No. 2018-42

Advantages: The project will replace an underdeveloped commercial property with a high-quality residential development that helps the City meet its goals for producing new housing units, both affordable and market rate

Disadvantages: Some existing commercial and office uses will be displaced

2) Do not approve Resolution No. 2018-42

Advantages: The existing commercial and office uses will be maintained

Disadvantages: The City will not make any progress on achieving its goals for the production of new housing units

Recommendation

The Planning Commission and staff recommend Option 1.

RESOLUTION NO. 2018-42

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS MAKING FINDINGS, ADOPTING AN EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AND APPROVING THE DESIGN REVIEW, USE PERMIT AND SUBDIVISION APPLICATIONS FOR A NEW 50-UNIT MULTI-FAMILY PROJECT AT 4856 EL CAMINO REAL

WHEREAS, the City of Los Altos received a development application from Mircea Voskerician, LuxOne LLC (Applicant), for a new 50-unit multiple-family residential building at 4846 and 4856 El Camino Real that includes Design Review 18-D-01, Use Permit 18-UP-01 and Subdivision 18-SD-01, referred to herein as the “Project”; and

WHEREAS, said Project is located in the CT District, which allows multiple-family housing as a conditional use at a maximum density of 38 dwelling units per net acre of land; and

WHEREAS, said Project has a net site area of 0.72 acres (31,576 square feet), which will allow for a base residential density of 28 dwelling units; and

WHEREAS, the Applicant is offering two moderate-income and six very-low-income affordable housing units for sale as part of the Project; and

WHEREAS, the Applicant’s proposed unit mix would consist of 28.6 percent of its base density as affordable units, with 21.4 percent of the units affordable at the very low income level, thereby entitling the project to receive density bonuses and qualifying for incentives, concessions and waivers pursuant to Los Altos Municipal Code Section 14.28.040 and Government Code Section 65915, *et seq.*; and

WHEREAS, the Applicant is seeking incentives under Government Code Section 65915(e) and Los Altos Municipal Code Section 14.28.040(F) to allow: a) a building with a primary height of 58 feet and a height of 35 feet for the rear portion, where the Code allows for 45 feet and 30 feet, respectively; and b) a rear yard setback of 60 feet for the five-story portion of the building, where the Code requires a rear yard setback of 100 feet; and

WHEREAS, the Applicant is seeking further waivers under Government Code Section 65915(e) and Los Altos Municipal Code Section 14.28.040(H) to allow: a) the elevator tower to be 17.9 feet above the roof, where the Code allows such structures to be 12 feet above the roof; and b) enclosed roof top structures at 4.6 percent of the roof area, where the Code limits such structures to four percent of the roof area; and

WHEREAS, the Applicant is seeking a parking requirement alteration under Government Code Section 65915(e) and Los Altos Municipal Code Section 14.28.040(G) to allow for a reduction in the minimum onsite parking requirement; and

WHEREAS, the Applicant is seeking a 75.25 percent density bonus and the above-described incentives and waivers to allow development of the Project pursuant to Government Code 65915 and Los Altos Municipal Code Section 14.28.040(E)(7), which allows the City to grant a density bonus

greater than the 35 percent provided as of right for projects providing more than 11 percent of its units as affordable at the very-low income level; and

WHEREAS, said Project is exempt from environmental review as in-fill development in accordance with Section 15332 of the California Environmental Quality Act of 1970 as amended (“CEQA”); and

WHEREAS, said Project has been processed in accordance with the applicable provisions of the California Government Code and the Los Altos Municipal Code; and

WHEREAS, on May 23, 2018, the Complete Streets Commission held a public meeting on the Project and at the conclusion of the meeting voted to recommend approval to the Planning Commission and City Council; and

WHEREAS, on August 14, 2018 the Applicant installed story poles on the site per the modified story pole plan that was approved by the City Council on May 8, 2018; and

WHEREAS, on September 4, 2018 the City gave public notice of the Planning Commission’s public hearing on the proposed Project by advertisement in a newspaper of general circulation and to all property owners within a 500-foot radius; and

WHEREAS, on September 20, 2018, the Planning Commission conducted a duly-noticed public hearing at which members of the public were afforded an opportunity to comment upon the Project, and at the conclusion of the hearing, the Planning Commission recommended that the City Council approve the Project; and

WHEREAS, on November 13, 2018, the City Council held a duly noticed public meeting as prescribed by law and considered public testimony and evidence and recommendations presented by staff related to the Project; and

WHEREAS, all the requirements of the Public Resources Code, the State CEQA Guidelines, and the regulations and policies of the City of Los Altos have been satisfied or complied with by the City in connection with the Project; and

WHEREAS, the findings and conclusions made by the City Council in this Resolution are based upon the oral and written evidence presented as well as the entirety of the administrative record for the proposed Project, which is incorporated herein by this reference. The findings are not based solely on the information provided in this Resolution; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Altos hereby approves the Project subject to the findings and the conditions of approval attached hereto as “Exhibit A” and “Exhibit B,” and incorporated by this reference.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 13th day of November 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK

EXHIBIT A

FINDINGS

1. ENVIRONMENTAL REVIEW FINDINGS. With regard to environmental review, in accordance with Section 15332 of the California Environmental Quality Act Guidelines, based on the whole record before it, including, without limitation, the analysis and conclusions set forth in the staff reports, testimony provided at the proposed Project's public hearings, and the supporting technical studies, which include: 1) a Traffic Analysis by Hexagon Transportation Consultants (May 2018); 2) an Air Quality and Greenhouse Gas Emissions Assessment (March 2018); 3) a Noise Study by Wilson Ihrig (March 2018); and 4) an Arborist Report by Kielty Arborist Services (April 2018), the City Council finds and determines that the following Categorical Exemption findings can be made:
 - a. The Project is consistent with the applicable General Plan designation and all applicable General Plan policies as well as with the applicable zoning designation (Commercial Thoroughfare) and regulations, including density bonus, incentives and waivers for the production of affordable housing;
 - b. The Project occurs within City limits on a site of no more than five acres that is substantially surrounded by urban uses and there is no record that the site has value as habitat for endangered, rare or threatened species;
 - c. Approval of the Project will not result in any significant effects relating to traffic, noise, air quality, or water quality and the completed technical studies and staff analysis contained in the agenda report support this conclusion; and
 - d. The Project has been reviewed and it is found that the site can be adequately served by all required utilities and public services.
2. DESIGN REVIEW FINDINGS. With regard to Design Review Application 18-D-01, the City Council finds, in accordance with Section 14.76.060 of the Los Altos Municipal Code, as follows:
 - a. The Project meets the goals, policies and objectives of the General Plan with its level of intensity and residential density within the El Camino Real corridor, and all Zoning Code site standards and design criteria applicable for a project in the CT District;
 - b. The Project has architectural integrity and has an appropriate relationship with other structures in the immediate area in terms of height, bulk and design because the project utilizes high quality materials that support its architectural style and is appropriately articulated and scaled to relate to the larger buildings on the El Camino Real corridor;
 - c. Building mass is articulated to relate to the human scale, both horizontally and vertically as evidenced in the design of the projecting overhangs, bay windows and balconies, the building elevations have variation and depth and avoid large blank wall surfaces, and the project has incorporated elements that signal habitation, such as identifiable entrances, overhangs, bay windows and balconies;

- d. The Project's exterior materials and finishes convey high quality, integrity, permanence and durability, and materials are used effectively to define building elements. Materials, finishes, and colors have been used in a manner that serves to reduce the perceived appearance of height, bulk and mass, and are harmonious with other structures in the immediate area.
 - e. Landscaping such as the large specimen coral bark maple trees, Brisbane box street trees, Saratoga laurel evergreen screening trees, hedges and groundcover is generous and inviting, and landscape and hardscape features such as the custom paver walkway, board formed concrete planters and wood privacy fences are designed to complement the building and parking areas and to be integrated with the building architecture and the surrounding streetscape. Landscaping includes substantial street tree canopy including four new street trees in the public right-of-way, four new specimen coral bark maple trees in the front yard space and 11 new trees along the site perimeter;
 - f. Signage, which is limited to the building address number and other required directional signage, will be designed to complement the building architecture in terms of style, materials, colors and proportions;
 - g. Mechanical equipment is screened from public view by the building parapet and is designed to be consistent with the building architecture in form, material and detailing; and
 - h. Service, trash and utility areas are screened from public view by their locations in the building garage and behind fencing in the side yards, and consistent with the building architecture in materials and detailing.
3. USE PERMIT FINDINGS. With regard to Use Permit 18-UP-01, the City Council finds, in accordance with Section 14.80.060 of the Municipal Code, as follows:
- a. The proposed location of the multiple-family residential use is desirable and essential to the public comfort, convenience, prosperity, and welfare in that there are a limited number of sites that can accommodate new housing, the CT District has anticipated and planned for new housing along the El Camino Real corridor and the project provides housing at a variety of affordability levels;
 - b. That the proposed location of the multiple-family residential use is in accordance with the objectives of the Zoning Code since the project provides for community growth along sound lines, it is harmonious and convenient in relation to the surrounding land uses, it does not create any significant traffic impacts, it will help the City meet its affordable housing goals, it will protect and enhance property values and it will enhance the City's distinctive character with a high-quality building design in a commercial thoroughfare context;
 - c. That the proposed location of the multiple-family residential use, under the circumstances of the particular case and as conditioned, will not be detrimental to the health, safety, comfort, convenience, prosperity, or welfare of persons residing or working in the vicinity or injurious to property or improvements in the vicinity; and
 - d. That the proposed multiple-family residential use complies with the regulations prescribed for the CT District and the general provisions contained in Chapter 14.02.

4. SUBDIVISION FINDINGS. With regard to Subdivision 18-SD-01, the City Council finds, in accordance with Section 66474 of the Subdivision Map Act of the State of California, as follows:
 - a. The proposed condominium subdivision is consistent with the General Plan;
 - b. The Project site is physically suitable for this type and density of development in that the project meets all applicable Zoning requirements except where a density bonus and development incentives have been granted;
 - c. The design of the condominium subdivision and the proposed improvements are not likely to cause substantial environmental damage, or substantially injure fish or wildlife; and no evidence of such has been presented;
 - d. The design of the condominium subdivision is not likely to cause any serious public health problems because conditions have been added to address noise, air quality and life safety concerns; and
 - e. The design of the condominium subdivision will not conflict with any public access easements as none have been found or identified on this site.

5. AFFORDABLE HOUSING AND DENSITY BONUS FINDINGS. With regard to the offered below market rate units and requested density bonus, incentives, waivers and parking requirement alteration, the City Council finds, in accordance with Los Altos Municipal Code Section 14.28.040, as follows:
 - a. The applicant is offering two moderate-income and six very-low-income affordable housing units for sale, 28.6 percent of the Project's base density, which qualifies the project for a density bonus, incentives, waivers and a parking requirement alteration;
 - b. Per Table DB 3 in Section 14.28.040(C)(1)(b), a project that offers 11 percent or more of its total units (base density) as very-low income restricted affordable units shall be granted a density bonus of 35 percent, and per Table DB 4 in Section 14.28.040(C)(1)(b), a project that offers 15 percent or more of its total units (base density) as Very Low income restricted affordable units shall be granted three (3) incentives. Since the project is providing 21.4 percent of its total units as affordable at the very-low income level, the City shall grant a density bonus of at least 35 percent and three (3) incentives;
 - c. For its incentives, the project is requesting the City allow: a) a building with a primary height of 58 feet and a height of 35 feet for the rear portion, where the Code allows for 45 feet and 30 feet, respectively; and b) a rear yard setback of 60 feet for the five-story portion of the building, where the Code requires a rear yard setback of 100 feet. The height incentive is considered an "off-menu" incentive and the rear yard setback incentive is considered two (2) "on-menu" incentives (20 percent decrease in a setback);
 - d. Per Section 14.28.040(G)(2)(a), the City shall allow a minimum parking requirement, inclusive of handicapped and guest parking, of one (1) onsite parking space for each one-bedroom unit and two (2) onsite parking spaces for each two- or three-bedroom unit if requested by the

applicant. Since the project is providing 108 onsite parking spaces, where a minimum of 91 onsite parking spaces is required, it is exceeding the minimum permitted by the Code;

- e. Per Section 14.28.040(H)(1), a project can request a waiver or reduction of development standards that have the effect of physically precluding the construction of a development in addition to the density bonus and incentives permitted by the Code. Consistent with these requirements, the Applicant is seeking waivers to allow: a) the elevator tower to be 17.9 feet above the roof, where the Code allows such structures to be 12 feet above the roof; and b) enclosed roof top structures at 4.6 percent of the roof area, where the Code limits such structures to four percent of the roof area. The basis to grant the waivers is supported by the fact that they are required in order to provide the necessary amenities and accessibility for a building of this size and density, they will not have a specific, adverse impact upon health, safety, or the physical environment, they will not have an adverse impact on any listed historic resources and will not be contrary to state or federal law; and
- f. Per Section 14.28.040(E)(7), the City is permitted to grant a density bonus greater than the 35 percent. Per consultation with City staff, the City Council and Planning Commission, the Applicant is requesting a 75.25 percent density bonus, which will allow for the development of 50 dwelling units in the project. Granting of this density bonus is supported by the fact that the project is offering of 28.6 percent of its total units as affordable at the moderate and very-low income levels. The granting of the density bonus is further supported by the fact that the project is exceeding the minimum thresholds prescribed by the Zoning Code with regard to onsite parking, side yard setbacks, open space (both private and common), and bicycle parking. Information to support the density bonus is provided in the Density Bonus Report, which is included with the Project's staff report.

EXHIBIT B
CONDITIONS

GENERAL

1. Approved Plans

The project approval is based upon the plans received on October 16, 2018, except as modified by these conditions.

2. Affordable Housing

The applicant shall offer the City eight (8) below market rate units as follows: a) one (1) three-bedroom unit at the moderate-income level; b) one (1) two-bedroom unit at the moderate-income level; and c) six (6) one-bedroom units at the low-income level.

3. Upper Story Lighting

Any exterior lighting above the ground floor on the sides and rear of the building and on the rooftop deck shall be shrouded and/or directed down to minimize glare.

4. Encroachment Permit

An encroachment permit and/or an excavation permit shall be obtained prior to any work done within the public right-of-way and it shall be in accordance with plans to be approved by the City Engineer. *Note: Any work within El Camino Real will require applicant to obtain an encroachment permit with Caltrans prior to commencement of work.*

5. Public Utilities

The applicant shall contact electric, gas, communication and water utility companies regarding the installation of new utility services to the site.

6. Americans with Disabilities Act

All improvements shall comply with Americans with Disabilities Act (ADA).

7. Stormwater Management Plan

The applicant shall submit a complete Stormwater Management Plan (SWMP) and a hydrology calculation showing that 100% of the site is being treated; is in compliance with the Municipal Regional Stormwater NPDES Permit (MRP). Applicant shall provide a hydrology and hydraulic study, and an infeasible/feasible comparison analysis to the City for review and approval for the purpose to verify that MRP requirements are met.

8. Sewer Lateral

Any proposed sewer lateral connection shall be approved by the City Engineer.

9. Transportation Permit

A Transportation Permit, per the requirements specified in California Vehicle Code Division 15, is required before any large equipment, materials or soil is transported or hauled to or from the construction site.

10. Indemnity and Hold Harmless

The applicant/owner agrees to indemnify, defend, protect, and hold the City harmless from all costs and expenses, including attorney's fees, incurred by the City or held to be the liability of the City in connection with the City's defense of its actions in any proceedings brought in any State or Federal Court, challenging any of the City's action with respect to the applicant's project.

PRIOR TO SUBMITTAL OF BUILDING PERMIT

11. Green Building Standards

The applicant shall provide verification that the project will comply with the City's Green Building Standards (Section 12.26 of the Municipal Code) from a qualified green building professional.

12. Property Address

The applicant shall provide an address signage plan as required by the Building Official.

13. Water Efficient Landscape Plan

Provide a landscape documentation package prepared by a licensed landscape professional showing how the project complies with the City's Water Efficient Landscape Regulations.

14. Air Quality Mitigation

The applicant shall implement and incorporate the air quality mitigations into the plans as required by the report prepared by Illingsworth & Rodin, Inc., dated March 6, 2018.

15. Noise Mitigation

The applicant shall implement and incorporate the noise mitigation measures into the plans as required by the report by Wilson Ihrig, dated March 6, 2018.

16. Rooftop Deck

Provide design details for the rooftop deck sufficient enough to verify that the space can operate in compliance with the performance standards prescribed by Municipal Code Section 14.50.160.

PRIOR TO FINAL MAP RECORDATION

17. Covenants, Conditions and Restrictions

The applicant shall include the following provisions in the Covenants, Conditions and Restrictions (CC&Rs):

- a. Storage on private patios and decks shall be restricted; and rules for other objects stored on private patios and decks shall be established with the goal of minimizing visual impacts.
- b. Long-term maintenance and upkeep of the landscaping and street trees, as approved by the City, shall be a duty and responsibility of the property owners. Specifically, the landscape buffer, including both trees and landscaping, along the rear property line shall be permanently maintained as required by the CT District per Municipal Code Section 14.50.110(C).
- c. The rooftop deck shall be permanently maintained in accordance with the performance standards for Rooftop Uses in the CT District as currently prescribed by Municipal Code Section 14.50.160.
- d. Both parking spaces in a tandem space shall be owned by the same unit and cannot be owned or used by separate units.

18. Public Utility Dedication

The applicant shall dedicate public utility easements as required by the utility companies to serve the site.

19. Payment of Fees

The applicant shall pay all applicable fees, including but not limited to sanitary sewer impact fees, parkland dedication in lieu fees, traffic impact fees and map check fee plus deposit as required by the City of Los Altos Municipal Code.

PRIOR TO ISSUANCE OF BUILDING PERMIT

20. Final Map Recordation

The applicant shall record the final map. Plats and legal descriptions of the final map shall be submitted for review by the City Land Surveyor. Applicant shall provide a sufficient fee retainer to cover the cost of the map review by the City.

21. Sidewalk Lights

The applicant shall maintain the existing light fixture and/or install new light fixture(s) in the El Camino Real sidewalk as directed by the City Engineer.

22. Performance Bond

The applicant shall submit a cost estimate for the improvements in the public right-of-way and shall submit a 100-percent performance bond and 50-percent labor and material bond (to be held 6 months until acceptance of improvements) for the public right-of-way work.

23. Maintenance Bond

A one-year, ten-percent maintenance bond shall be submitted upon acceptance of improvements in the public right-of-way.

24. Storm Water Filtration Systems

The applicant shall insure the design of all storm water filtration systems and devices are without standing water to avoid mosquito/insect infestation.

25. Grading and Drainage Plan

The applicant shall submit detailed plans for on-site and off-site grading and drainage plans that include drain swales, drain inlets, rough pad elevations, building envelopes, and grading elevations for review and approval by the City Engineer.

26. Sewage Capacity Study

The applicant shall show sewer connection to the City sewer main and submit calculations showing that the City's existing 27-inch sewer main will not exceed two-thirds full due to the additional sewage capacity from proposed project. For any segment that is calculated to exceed two-thirds full for average daily flow or for any segment that the flow is surcharged in the main due to peak flow, the applicant shall upgrade the sewer line or pay a fair share contribution for the sewer upgrade to be approved by the City Engineer.

27. Construction Management Plan

The applicant shall submit a construction management plan for review and approval by the Community Development Director and the City Engineer. The construction management plan shall address any construction activities affecting the public right-of-way, including but not limited to excavation, traffic control, truck routing, pedestrian protection, material storage, earth retention and construction vehicle parking. The plan shall provide specific details with regard to how construction vehicle parking will be managed to minimize impacts on nearby single-family neighborhoods. A Transportation Permit, per the requirements in California Vehicle Code Division 15, is required before any large equipment, materials or soil is transported or hauled to or from the site.

28. Sewer Lateral Abandonment

The applicant shall abandon additional sewer laterals and cap at the main if they are not being used. A property line sewer cleanout shall be installed within 5-feet of the property line within private property.

29. Solid Waste Ordinance Compliance

The applicant shall be in compliance with the City's adopted Solid Waste Collection, Remove, Disposal, Processing & Recycling Ordinance (LAMC Chapter 6.12) which includes a mandatory requirement that all commercial and multi-family dwellings provide for recycling and organics collection programs.

30. Solid Waste and Recyclables Disposal Plan

The applicant shall contact Mission Trail Waste Systems and submit a solid waste and recyclables disposal plan indicating the type, size and number of containers proposed, and the frequency of pick-up service subject to the approval of the Engineering Division. The applicant shall also submit evidence that Mission Trail Waste Systems has reviewed and approved the size and location of the proposed trash enclosure. The enclosure shall be designed to prevent rainwater from mixing with the enclosure's contents and shall be drained into the City's sanitary sewer system. The enclosure's pad shall be designed to not drain outward, and the grade surrounding the enclosure designed to not drain into the enclosure. In addition, applicant shall show on plans the proposed location of how the solid waste will be collected by the refusal company. Include the relevant garage clearance dimension and/or staging location with appropriate dimensioning on to plans.

31. Tree Protection

The applicant shall implement and incorporate the tree protection measures into the plans and on-site as required by staff and in accordance with the report by Kielty Arborist Services dated April 30, 2018.

32. Affordable Housing Agreement

The applicant shall execute and record an Affordable Housing Agreement, in a form approved and signed by the Community Development Director and the City Attorney, that offers eight below market rate units, for a period of at least 55-years, as defined in Condition No. 2. All of the below market rate units shall be constructed concurrently with the market rate units, shall be dispersed throughout the project as shown on the approved plans, and shall not be significantly distinguishable design, construction or materials.

PRIOR TO FINAL OCCUPANCY

33. Green Building Verification

The applicant shall submit verification that the structure was built in compliance with the California Green Building Standards pursuant to Section 12.26 of the Municipal Code.

34. Signage and Lighting Installation

The applicant shall install all required signage and on-site lighting per the approved plan. Such signage shall include the disposition of guest parking, the turn-around/loading space in the front yard and accessible parking spaces.

35. Acoustical Report

The applicant shall submit a report from an acoustical engineer ensuring that the rooftop mechanical equipment meets the City's noise regulations.

36. Landscape Installation and Verification

Provide a landscape Certificate of Completion, signed by the project's landscape professional and property owner, verifying that the trees, landscaping and irrigation were installed per the approved landscape documentation package.

37. Condominium Map

The applicant shall record the condominium map as required by the City Engineer.

38. Driveway Visibility

The applicant shall work with the Engineering Division to indicate a sufficient no parking area along El Camino Real to the north of the driveway to provide adequate sight visibility.

39. Sidewalk in Public Right-of-Way

The applicant shall install new sidewalk, vertical curb and gutter, and driveway approaches from property line to property line along the frontage of El Camino Real as required by the City Engineer.

40. Public Infrastructure Repairs

The applicant shall repair any damaged right-of-way infrastructures and otherwise displaced curb, gutter and/or sidewalks and City's storm drain inlet shall be removed and replaced as directed by the City Engineer or his designee. The applicant is responsible to resurface (grind and overlay) half of the street along the frontage of El Camino Real if determined to be damaged during construction, as directed by the City Engineer or his designee. *Note: Any work within the El Camino Real will require applicant to obtain encroachment permit with Caltrans prior to commencement of work.*

41. SWMP Certification

The applicant shall have a final inspection and certification done and submitted by the Engineer who designed the SWMP to ensure that the treatments were installed per design. The applicant shall submit a maintenance agreement to City for review and approval for the stormwater treatment methods installed in accordance with the SWMP. Once approved, City shall record the agreement.



**LEAGUE OF WOMEN VOTERS
of the Los Altos-Mountain View Area**

November 11, 2018

Mayor Jean Mordo and Members of the City Council
City of Los Altos
1 N.San Antonio Road
Los Altos, CA 94022

Re: Agenda Item #5, Council Meeting Nov. 13th – Proposed 50-Unit Building at 4856 El Camino Real

Dear Mayor Mordo and Members of the City Council:

As we wrote earlier to the Planning Commission, the LWV supports affordable housing, including inclusionary zoning, so we are pleased to see the 8 below-market-rate units (BMRs) being built as part of this complex. The League believes that dispersing BMRs within a larger complex has been shown to be a socioeconomic and political success in California.

Again, as we wrote to the Planning Commission, we have a serious concern with the unit mix of the BMRs, and the Planning Commission agreed with our concern. The City's policy, like that of most jurisdictions, has always required that the affordable units reflect the size and number of bedrooms of the market-rate units. In this case, 6 of the total 9 one-bedroom units are proposed as BMRs, with just 1 three-bedroom unit and 1 two-bedroom unit as BMRs. **All the very low-income** BMRs are one-bedroom units, whereas the larger units would be moderate-income BMRs. Six of the eight BMRs are proposed as one-bedrooms, whereas the majority of the units in the total project are two and three-bedrooms. We encourage the City to require a mix of BMRs that more accurately reflects the size and number of bedrooms of the market-rate units.

The developer's offer to make one of the one-bedroom BMRs a larger one-bedroom unit does not change the fact that **all** the very low-income units are one-bedroom and that most of the total BMRs are one-bedroom. This is an insignificant change in the mix of BMRs presented to the Planning Commission. We believe that the developer is gaining significant density and incentives under the State Density Bonus Law and should be required to follow the City's policy regarding the unit mix of BMRs. The majority of the units in the total project are two and three-bedrooms. Therefore, the majority of the BMRs should be two and three-bedroom units. In addition, some of the two and three-bedroom unit BMRs should be very low-income rather than moderate income.

Sue Russell
Co-Chair, Housing Committee
LWV of the Los Altos-Mountain View Area

Cc: Chris Jordan Jon Biggs Zach Dahl

LOLA, LLC

12340 Saratoga-Sunnyvale Rd., Saratoga, CA 95070
Telephone: (408) 253-4747
Facsimile: (408) 253-4753

November 13, 2018

Mr. Mayor Jean Mordo
Ms. Jeannie Bruins
Ms. Jan Pepper
Ms. Mary Prochnow
Ms. Lynette Lee Eng

City of Los Altos
1 North San Antonio Road
Los Altos, CA 94022

RE: Impact of 4846-4856 El Camino Real on 4880 El Camino Real

Dear Council Members,

On behalf of the ownership of the 21-unit residential condominium building located at 4880 El Camino Real, we write to you today to consider the impact of the proposed project at 4846-4856 El Camino Real on the 4880 El Camino Real project ("4880") currently under construction.

The eastern side of the Applicant's project affects a large percentage of the future residents of both buildings. As currently proposed, the design of the Applicant's building is massive in relation to the 4880 building and could do a better job considering its impact on the future residents of both buildings.

We have asked for a year now that the Applicant consider making changes to his proposed building that we believe would be beneficial to the future residents of both buildings. We have asked the Applicant to consider increasing the side setback of the southeastern side of his building on the 3rd, 4th and 5th floors just in the rear of his building within the 100-foot rear setback zone. We believe a reduction of 10 to 15 feet in that area will allow more breathing room for the future residents of both buildings. The square footage removed from the 3rd, 4th and 5th floors of the southeastern side could be added to the rear area of the proposed building on the 3rd, 4th and 5th floors. In this case, the Applicant's lot is screened by large and mature redwood trees in the rear so that encroaching into the rear setback would not be as relevant as it could be on other lots.

Our neighbor, the Applicant, has opted not to discuss this matter with us.

What we have asked the Applicant to consider should not be difficult to implement and should be beneficial to both projects.

We kindly ask the Council to direct the Applicant to explore these creative adjustments to its proposed building for an outcome that will be beneficial to all.

Thank you and sincerely yours,


LOLA, LLC

Peggy Galeb, Manager

12340 Saratoga-Sunnyvale Road

Saratoga, CA 95070

CC: Mr. Jon Biggs, Mr. Zach Dahl, administration@losaltosca.gov

Subject: Mohr Clock project - 4856 El Camino Real

From: roger heyder <mrheyderus@yahoo.com>

Date: November 19, 2018 at 5:48:29 AM PST

To: City Council <council@losaltosca.gov>

Cc: Christopher Croudace <ccroudace@berklee.edu>

Subject: Mohr Clock project - 4856 El Camino Real

Reply-To: roger heyder <mrheyderus@yahoo.com>

Hello Council,

The Mohr Clock project, at 4856 El Camino Real, involves the merging of two parcels. Under the Subdivision Map Act, the city does not have the legal authority to merge these two parcels unless it has a valid and applicable lot merger ordinance. Mr. Maginot informed me that Los Altos does NOT have a lot merger ordinance.

The Map Act is clear, and consistent, about requiring a local merger ordinance. Without a local merger ordinance, the Map Act limits the city to merging only substandard parcels. The Mohr Clock parcels are not substandard.

Two sections of the Map Act cover mergers that do not involve substandard lots. One of these sections is Government Code section 66499.203/4. The first sentence of that section **requires a local ordinance** to merge parcels:

A city or county **may, by ordinance**, authorize the merger of contiguous parcels under common ownership . . .

The second section of the Map Act that could alternatively be used for mergers is Government Code section 66499.201/4, which also **requires a local ordinance** to implement its provisions:

A city or county **may, by ordinance**, authorize a parcel map to be filed under the provisions of this chapter for the purpose of reverting to acreage land previously subdivided and consisting of four or less contiguous parcels under the same ownership. . . .

Therefore, a city seeking to adopt and use either section of the Map Act **must enact a local ordinance** allowing it to do so. At a bare minimum, such an ordinance should cover at least three things:

1. Whether mergers are allowed at all, and in what parts of the city. For example, a city might choose not to allow mergers at all, or to allow only mergers of two lots in certain parts of the city, or choose to allow a different number of mergers in different parts of the city.
2. The Map Act requires that the local ordinance be consistent with the city's General Plan. In Los Altos' case, this means that any merger ordinance, no matter which Map Act provision authorizes it, needs to be consistent with the Los Altos general plan which states:

The identity of Los Altos is predicated upon its small-town atmosphere as a mature residential community with a historic Downtown and neighborhood commercial centers. Defining physical attributes include relatively flat terrain, mature landscape, low-density residential neighborhoods, predominantly single-story structures, historic architecture, and the pedestrian-oriented village setting of the Downtown core. The Community Design & Historic Resources Element focuses on the protection and enhancement of these important attributes to maintain the City's distinct character.

3. Finally, the local ordinance must specify the zoning rules that apply if the city allows mergers of lots in a given section of Los Altos. For example, the current zoning of the Los Altos Commercial Downtown District provides for a minimum depth of front yards of only two feet, no side yards except where a site abuts a public street or a public parking plaza, in which case the minimum width of a side yard is also only two feet, and a minimum rear yard of 15 feet for a structure above 15 feet in height, with certain

exceptions. (Los Altos Municipal Code sections 14.44.060, 14.44.070 and 14.44.080) If the city were to allow mergers of lots in the Downtown, it needs to consider if these zoning rules would be adequate as applied to larger buildings that might be allowed on merged lots, or if different setbacks, heights and other zoning provisions would instead be required or preferable.

There appears to be significant proposed lot merger activity in Los Altos. It is only common sense that a local merger ordinance be written, to provide clear details to everyone concerned as to if and where lot mergers are allowed, the conditions under which they are allowed, and the zoning applicable to merged lots. A local merger ordinance is required by the Map Act if the city is to legally approve lot mergers, unless the lots are substandard, in which case the Map Act has different applicable provisions.

Prior to approving the Mohr Clock merger, or any other lot merger, the city must implement a lot merger ordinance consistent with its General Plan. It is the only legal way forward if lots are to be merged.

Regards,

Roger Heyder
Chris Croudace



DISCUSSION CALENDAR

Agenda Item # 8

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Resolution No. 2018-46: Regional Housing Needs Allocation (RHNA) Subregion

Prepared by: Jon Biggs, Community Development Director

Approved by: Chris Jordan, City Manager

Attachments:

1. Resolution No. 2018-46
2. RHNA Subregion Overview
3. Pros and Cons of RHNA Subregion Formation
4. Guiding Principles
5. By-laws of the Santa Clara County Subregional RHNA Process

Initiated by:

Cities Association of Santa Clara County

Previous Council Consideration:

September 11, 2018

Fiscal Impact:

None anticipated

Environmental Review:

None required for consideration of the subject.

Policy Question(s) for Council Consideration:

- Does the City Council support the formation of a Regional Housing Needs Allocation (RHNA) Subregion with Santa Clara County and other cities in the County?

Summary:

- The Cities Association of Santa Clara County (Cities Association) is seeking support on the formation of a RHNA Subregion and is requesting that the City Council adopt the Resolution of Intent to Support the formation of a RHNA Subregion made up of local and County Governments of Santa Clara County

Staff Recommendation:

Adopt Resolution No. 2018-46 supporting the formation of RHNA Subregion



Subject: Resolution No. 2018-46: Regional Housing Needs Allocation (RHNA) Subregion

Purpose

Adoption of Resolution No. 2018-46 will signify the City's intent to support the formation of a RHNA Subregion.

Background

A section of the City's General Plan Housing Element identifies current and future housing needs. In consideration of future housing needs, State law provides for the Council of Governments (ABAG for Los Altos) to assign a share of the region's housing construction needs to each city and county. The Los Altos housing needs assignment was 477 housing units for the current planning cycle, which runs from January 2015 to January 2023. This is the Los Altos RHNA.

As can be expected, many Cities in the State of California find it difficult to meet these housing need allocations for various reasons. One effort by counties and cities to address these shortfalls is to develop a RHNA Subregion. A RHNA Subregion, if formed, provides its participants with flexibility in meeting its State mandated RHNA assignment, in that housing for its RHNA can be developed outside of its boundaries.

In 2015, the Cities Association formed a Regional Housing Task Force Subcommittee to develop a framework and process to implement a RHNA Subregion in Santa Clara County for the next housing cycle (2023-2031). The Subcommittee completed its work and provided its findings to the Cities Association Board of Directors. At the Board's meeting in October of 2018, it voted unanimously to establish a RHNA Subregion.

At its meeting of September 11, 2018, the City Council took up consideration of the RHNA Subregion and unanimously agreed to continue to participate and support efforts to form a RHNA Subregion.

Discussion/Analysis

The Cities Association Board of Directors is now asking that the City Council adopt the attached Resolution, which formally indicates the intent of the City of Los Altos to support the formation of a RHNA Subregion.

The Cities Association has provided the attached documents to give more details on the RHNA Subregion.

- Attachment 2: "RHNA Subregion Overview" describes the purpose of a RHNA Subregion and the steps that must be taken to create one. This document also introduces the necessary administrative functions (e.g., outreach) and costs that might be incurred with forming and coordinating a RHNA Subregion. The Cities Association proposes that costs would be shared by the participating jurisdictions. The Cities Association's current plan is to significantly limit costs by accepting the Association of Bay Area Governments' (ABAG) RHNA methodology and allocations as a starting point for the local conversation.



Subject: Resolution No. 2018-46: Regional Housing Needs Allocation (RHNA) Subregion

- Attachment 3: “Pros and Cons of RHNA Subregion Formation” identifies the benefits and drawbacks of a RHNA Subregion.
- Attachment 4: “Guiding Principles” outlines the vision, values, and goals associated with forming a RHNA Subregion and determines that Santa Clara County jurisdictions need to have more regular dialogue about housing production and affordability.
- Attachment 5: “By-laws of the Santa Clara County Subregional RHNA Process” contains nine articles that describe the purpose for the RHNA Subregion, its members, its officers, staff support, Subregion committees and stakeholder review, meetings, and how Subregion business will be conducted.

Given the direction and support of the City Council for a RHNA Subregion at its meeting of September 11, 2018, staff is recommending adoption of Resolution No. 2018-46, which formalizes Council’s support.

This is another step in the process and although the Resolution indicates Council’s support for a RHNA Subregion – it does *not* approve the City’s participation in the Subregion. Such a commitment will need to return to Council for consideration at a later date.

Options

- 1) Adopt Resolution No. 2018-46, signifying the City’s intent to support the formation a RHNA Subregion

Advantages: City can participate in the development of this program

Disadvantages: None identified

- 2) Decline adoption of Resolution No. 2018-46, signifying the City’s intent to support the formation a RHNA Subregion

Advantages: None identified

Disadvantages: City would not have a say in the development of this program

Recommendation

The staff recommends Option 1.

RESOLUTION NO. 2018 - 46

**RESOLUTION OF INTENT TO SUPPORT FORMATION OF A HOUSING
SUBREGION OF SANTA CLARA COUNTY LOCAL AND COUNTY GOVERNMENTS
TO FACILITATE AND IMPLEMENT COUNTYWIDE HOUSING PRODUCTION
CONSISTENT WITH THE REGIONAL HOUSING NEEDS ALLOCATION (RHNA)
FORMULA CURRENTLY ASSIGNED BY THE ASSOCIATION OF BAY AREA
GOVERNMENTS (ABAG)**

WHEREAS, Housing Element Law (Gov. Code Sections 65580 – 65589.8) provides for a Regional Housing Needs Allocation process (RHNA); and

WHEREAS, to implement such RHNA process in the San Francisco Bay Area, the State of California has delegated to the Association of Bay Area Governments (ABAG) responsibility to adopt an allocation methodology, then use the adopted methodology to assign to each jurisdiction in the Bay Area the obligation to zone enough housing development capacity to accommodate production of a specific number of housing units during the period from 2023 through 2031; and

WHEREAS, Government Code Section 65584.03 provides that certain combinations of local governments may form a Subregion to perform RHNA for themselves in order to allocate among themselves the total number of housing units assigned to them collectively by ABAG; and

WHEREAS, the City of Los Altos is interested in exploring the formation of a RHNA Subregion consistent with the California Government Code Section 65584 *et seq* and acceptable to the ABAG and the California Department of Housing and Community Development (HCD) to facilitate collaboration with the County and all cities in the County of Santa Clara, to efficiently and effectively deliver housing production goals; and

WHEREAS, the Board of the Cities Association of Santa Clara County has directed the review of the benefits of such a Subregion and subsequently, representatives of the Cities Association of Santa Clara County (CASCC) have formed a committee to evaluate and make recommendations regarding the importance of and opportunities for success through shared housing strategies which could be facilitated by a Subregional effort; and

WHEREAS, housing is a countywide challenge, and housing production types, numbers, density, appropriateness and affordability levels can vary in different communities, and the Cities' recognize all production types are important to the housing supply of the County and its related economic and social health; and

WHEREAS, Cities are individually accountable for, and retain full local authority for, identifying sites for housing development and for adopting and implementing housing policies intended to facilitate production of housing to meet local, regional and state policy objectives embodied in the numbers prescribed by ABAG the Sustainable Community Strategy that will be adopted by ABAG and the Metropolitan Transportation Commission (MTC) in 2021; and

WHEREAS, through mutual cooperation and planning, the production of these housing units may be enhanced through collective efforts and resources, therefore creating a forum for developing countywide policy consensus on matters related to the Sustainable Community Strategy.

NOW THEREFORE, BE IT RESOLVED, that the City of Los Altos does hereby find, determine, resolve and order as follows:

Section 1: That it is in the best interest of the City to join with other cities in Santa Clara County to explore creation of the RHNA Subregion and that by working together to plan for housing growth, the stage is set for implementing housing and more housing will ultimately be built to meet the needs of the entire County and its residents.

Section 2: That the City Manager is hereby authorized and directed to enter into discussions regarding the formation of a RHNA Subregion and the development of a workplan and budget, and the schedule of actions leading to the countywide, self-administration of the housing needs allocation process, allocating the countywide total housing needs allocation among all the Cities and unincorporated County by consensus; and to bring back a recommendation and resolution for action to join a RHNA Subregion, or in the alternative, an explanation detailing the decision not to participate in the RHNA Subregion.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the ___ day of ____, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jean Mordo, MAYOR

Attest:

Jon Maginot, CMC, CITY CLERK

Santa Clara County Regional Housing Needs Allocation (RHNA) Subregion Overview

What is a RHNA subregion? (Government Code Section 65584.03)

In recognition of the common interests and mutual challenges and opportunities associated with providing housing, **two or more contiguous cities and a county** may form a **subregional entity** for the purpose of **allocation** of the subregion's existing and projected need for **housing among its members** in accordance with the allocation methodology established pursuant to Government Code Section 65584.04.

All decisions of the subregion shall be approved by vote as provided for in the rules adopted by the local governments comprising the subregion, or shall be approved by vote of the county and the majority of the cities with the majority of population within the county.

What are the steps to create a subregion, following the prescribed timelines in State law?

1. Each participating jurisdiction adopts a resolution indicating its commitment to participating in the subregional entity.
2. For Santa Clara County, the subregional entity could be a committee of the Cities Association with participating cities and the County.
3. The Cities Association (or other entity) would enter into an agreement with the Council of Governments (COG, in our case ABAG/MTC) that sets forth the process, timing, and other terms and conditions of the delegation of responsibility by the COG to the subregion.

What does the subregion do, following the prescribe timelines in State law?

1. The subregion determines the methodology for allocating housing need to its participating jurisdictions according to State law (or accepts the methodology factors from the COG as a starting point for further distribution), providing opportunity for public comment and modification prior to adoption of the methodology.
2. The COG allocates a share to the subregion based on a proportion consistent with the distribution of households assumed for the comparable time period of the applicable regional transportation plan.
3. The subregion allocates the distribution of the RHNA to the participating jurisdictions according to the adopted methodology, providing an opportunity for public comment and modification prior to finalizing the distribution.

What is the estimated cost of a subregion versus typical participation in the RHNA process?

Assuming that the subregion does not hire a consultant to create a separate methodology, the costs would be:

1. Administrating and documenting the subregion meetings and decisions;
2. Conducting the required outreach prior to the subregion making its decisions;
3. Communicating with ABAG/MTC as needed; and
4. Publishing the required notices.

The Planning Departments of the participating jurisdictions typically absorb the RHNA evaluation without additional staffing or consultant assistance.

Santa Clara County Regional Housing Needs Allocation (RHNA) Subregion Overview

What are other activities that the subregion could assume outside of the RHNA process and State law?

- Foster collaboration between cities within Santa Clara County
 - Focus on Measure A implementation
 - Facilitate an open dialogue between the jurisdictions, public, and interested organizations on housing issues and opportunities
 - Share best practices regarding rehabilitating existing housing stock, addressing gentrification/displacement, etc.

- Work together to obtain and commit more financial resources to affordable housing production
 - Support for 2018 ballot measure for affordable housing funding
 - Consider potential legislative efforts to seek meaningful tax credits and other mechanisms

SANTA CLARA COUNTY RHNA SUBREGION TASK FORCE
 PROS & CONS OF RHNA SUBREGION FORMATION

Pros	Cons	Example
Creates flexibility & allows cities to trade		Distribute the subregion's numbers or can use ABAG's distribution
Empowers cities to have a say in the regional planning process		Self-determination: a city is able to accept or not accept allocation from another city.
Allows better alignment between local and regional needs		Ability to plan along on transit corridors and near employment.
Can find innovative solutions		Collective problem-solving which may include negotiating credits and creative financing
May facilitate the production of more housing		Utilizes economies of scale and eliminates duplication. Siting housing near supportive services.
Creates a forum for collaboration that leads to innovative solutions		San Mateo County Trade Woodside/Redwood City & Daly City/Colma/County
Creates awareness (and healthy competition)		Creates a forum to share knowledge and success. When one city is doing the heavy lifting, may encourage other jurisdictions to step up to the plate.
If success, may create additional opportunities for collaborative work		Success may be housing or spill over to other technical areas (transportation). May use collaboration for legislative advocacy.
Better development		Cities can work together to build near transit and not

SANTA CLARA COUNTY RHNA SUBREGION TASK FORCE
 PROS & CONS OF RHNA SUBREGION FORMATION

		necessarily confined by a city boundary.
Creates a forum to discuss sharing of planning resources		Share resources - - may share in cost to pay consultants for housing element preparation or program ideas (for those who want to share).
	Time, effort & resources which may end in same result.	What if subregion fails to produce a different allocation?
	Lack of trust for fair and equitable process.	Some cities may shirk their responsibility to step up and accept housing.
Increases local control		Ability to control own numbers and improve county-wide performance.
	Loss of political distance from MTC and ABAG	Pressure on community to produce additional housing.
	Lack of clarity of the benefits to accept someone's numbers/housing	City worried about allocation dumping
Still need to plan for housing for all income levels		Can't go to zero. Every jurisdiction still has an allocation in every income level.
	No role model	No other subregion has such large population variances.
Increased use of ADUs		ADUs more feasible with cities with large residential lots.

SANTA CLARA COUNTY RHNA SUBREGION TASK FORCE

GUIDING PRINCIPLES - May 2018

Vision

For Santa Clara County and its cities to work collaboratively to produce more housing in the Region. have a unified voice in responding to the area's housing needs-- a problem that transcends jurisdictional barriers.

Benefits

1. By working together to plan for housing growth, the stage is set for implementing housing, and more housing will ultimately be built.
2. Housing will be planned in the right places, near transportation, jobs, and services.
3. Santa Clara County jurisdictions can work together to share resources.
4. Collaboration enables collective advocacy on regional and Statewide issues.
5. Partnership sets the stage for other cooperation, including sharing Housing Element consultants, sharing expertise, analyses, and policies, and potentially enabling a shared review by the California Housing and Community Development (HCD) Department.
6. Collective agreement is reached on strategies and tools to meet the region's housing need, including the potential for trading RHNA numbers.
7. Greater flexibility.

Guiding Principles

1. Conform with all State objectives included in Section 66584(d), including ensuring that the allocation of affordable homes is allocated to all jurisdictions in the region in an equitable manner.
2. Allocate housing growth strategically around major transportation corridors and near employment and services, while respecting infrastructure constraints and the unique natural resources of Santa Clara County.
3. Foster collaboration between jurisdictions and develop collective strategies that provide a framework for addressing housing need, including the potential for resource / housing allocation trade-offs.
4. Facilitate an open dialogue between jurisdictions, the general public, and interested organizations, including transportation agencies and land use bodies.
5. Utilize existing forums for discussion (e.g., Cities Association, City Managers' Association, SCCAPO, etc.).

Keys to Success

1. Taking responsibility for the process and the resulting housing shares.
2. Taking into consideration other communities' interests as well as your own.
3. Being willing to accept a reasonable housing share, not just the lowest.
4. Being willing to consider negotiating trades.
5. Recognizing that working together locally is better than abdicating the responsibility to the region and the state.
6. Elected leaders in all jurisdictions willing to compromise for regional benefit.

By-laws of the Santa Clara County Subregional RHNA Process

PURPOSE & BYLAWS

The cities within the County of Santa Clara, and the County of Santa Clara, have adopted resolutions to participate as a Subregion (hereinafter referred to as “Subregion”) in the Regional Housing Needs Allocation (RHNA) Process. The Cities Association of Santa Clara County (hereinafter referred to as “CASCC”) will act as the representative for the Subregion. The Subregion hereby adopts the following bylaws for the purpose of providing for the orderly conduct of its affairs.

ARTICLE I NAME

The name of the separate entity established by the resolutions is the “Santa Clara County Sub-Regional RHNA Process” and may be referred to as “Subregion”.

ARTICLE II PURPOSES

Section 1. Subregion shall have the following purposes:

- (a) Plan, organize, and maintain the work of the Subregion and be responsible for its overall operation;
- (b) Advise City Managers, City Councils and the Board of Supervisors of all significant activities of the Subregion;
- (c) Prepare, review, monitor, present to the cities and the County, and facilitate a consensus on the Regional Housing Needs Allocation housing shares for all the cities and the County for the 2021 Housing Element;
- (d) Submit to the Association of Bay Area Governments (ABAG) for approval the housing shares for Santa Clara County (cities and County).
- (e) Provide a forum for developing a countywide policy consensus, to the greatest extent possible, on matters related the Sustainable Communities Strategy process of which the Regional Housing Needs Allocation is a part; and a channel for communicating such consensus to the Joint Policy Committee of the Metropolitan Transportation Commission and the Association of Bay Area Governments overseeing the Sustainable Communities Strategy process from time to time when such a consensus is requested or required by the Joint Policy Committee.

Section 2. Subregion shall not participate in or endorse any political activity involving any individual candidate for public office. The selection of officers within Article IV herein shall not be considered a political activity subject to this section.

ARTICLE III MEMBERS

Section 1. The County of Santa Clara and each city which has adopted a resolution of participation shall be members of the Subregion.

Section 2. The RHNA Policy Committee (PC) of the Subregion shall consist of a member of the City Council of each participating city to be selected by that city, and one member of the Board of Supervisors to be selected by the Board of Supervisors.

Section 3. Each member City Council and the Board of Supervisors may select one alternate member from its body who shall participate when the regular member is absent.

Section 4. If both the member and the alternate will be absent, the City or County, respectively, may designate a substitute for that meeting and notify CASCC, in writing, of the designation.

Section 5. Any member may withdraw from the Subregion by adopting a resolution and providing a written notice of intention to do so to the chairperson of the PC. The rights and obligations of any such member shall terminate 30 days after acceptance by the PC.

Section 6. If any member, or designated representative, fails to attend two consecutive meetings, without notification of the Chairperson or the Executive Director, the Chairperson will notify the City Council or Board of Supervisors to encourage future participation.

ARTICLE IV- OFFICERS

Section 1. The officers of the PC shall consist of a chairperson and vice chairperson.

Section 2. The chairperson and vice chairperson shall be elected by the PC and shall serve at the will of the PC.

Section 3. Nomination for officers of the PC shall be made from the floor. Nominations shall be made by voting members of the PC only.

Section 4. The chairperson and vice chairperson must be voting members of the PC.

Section 5. Nominations and election of the chairperson shall precede nominations and election of the vice chairperson. Voting shall be public.

Section 6. The chairperson shall preside at all meetings and may call special meetings when necessary.

Section 7. The vice chairperson shall perform the duties of the chairperson in the absence of the chairperson.

Section 8. A special election shall be called by the Board of Directors if the chairperson and/or vice chairperson is unable to serve.

Section 9. All officers shall serve without compensation.

Section 10. The chairperson or vice chairperson may be removed from office at any time by a majority vote of those members present.

ARTICLE V STAFF SUPPORT

Section 1. The CASCC Executive Director, CASCC staff and contractors shall provide support to the Subregion and all the established committees.

Section 2. The PC shall have dealings with staff and contractors through the CASCC Executive Director.

Section 3. All participating jurisdictions will share in the cost.

ARTICLE VI COMMITTEES/ STAKEHOLDER REVIEW

Section 1. The following standing committees shall assist in accomplishing the goals of the SANTA CLARA COUNTY SUB REGIONAL RHNA PROCESS:

- RHNA Policy Committee
- RHNA Technical Advisory Committee
- City Managers Association
- City Councils and Board of Supervisors
- Association of Bay Area Governments

Section 2. RHNA Policy Committee (PC) - 16 Members, one member from each city and the county, composed of elected officials. The primary role is to provide initial policy input to the process, review the RHNA TAC recommendations and adopt a policy consensus for transmittal to the cities and the County for ratification.

Section 3. RHNA Technical Advisory Committee (RHNA TAC) - 16 Members - One member from each city and the county. Composed of senior staff technical experts in the field of housing and land use. Member agencies may flexibly assign different technical experts as a function of the

subject being discussed. However, it is important that there be good communications between the different representatives such that issues do not need to be repeated or there are no conflicting positions from the representatives. Primary role is technical development of the issues and solutions.

Section 4. City Managers Association - Monthly reports will be provided to the City Managers through the City Managers Association. This will allow ongoing input by the City Managers in the process. The final product will be presented to the City Managers for their recommendation to the RHNA PAC for approval of the final product. Primary role of the City Managers is practical assessment of the issues and solutions.

Section 5. City Councils/ Board of Supervisors - Primary role is ratification of the RHNA Final Allocation prior to submittal to Association of Bay Area Governments (ABAG).

Section 6. Association of Bay Area Governments (ABAG) - Final approval of RHNA Final Allocation.

Section 7. An appeals process will be established by the PC in conjunction with ABAG to hear appeals by any cities or the County that disagree with their housing share as allocated by the Subregion.

ARTICLE VII MEETINGS

Section 1. The PC shall establish by resolution the date, time, and place for regular PC meetings.

Section 2. The PC may hold special meetings called in accordance with Article IV, Section 6.

Section 3. All meetings of the PC shall be held in accordance with the Brown Act, Government Code section 54950 Ct seq.

ARTICLE VIII CONDUCT OF BUSINESS

Section 1. A quorum shall consist of at least a majority of the members and shall be required for all meetings of the PC.

Section 2. Except as state otherwise in these by-laws, all decisions of the PC shall be by majority vote of those present.

Section 3. Adoption of the Final Regional Housing Needs Allocation shall require:

1. consent of a majority of all cities and the County participating in the Subregion, **and**
2. consent of each jurisdiction that has been allocated a greater share of housing than the ABAG default allocation.

Section 4. Upon adoption of the final regional housing numbers, the subregion will share support for outcome and support each other, for example the subregion releasing a resolution, annual report, and press event.

Section 5. Except as provided in these bylaws, or by a majority vote of those present, Roberts Rule of Order Revised shall constitute the parliamentary authority for the PC.

Section 6. These by-laws may be amended by a two-thirds majority vote of members present and who represent a majority of all cities and the County.

ARTICLE IX OTHER MATTERS

Section 1. No member shall receive compensation or reimbursement from PC or CASCC for expenses incurred in attending any meeting or other function.



DISCUSSION CALENDAR

Agenda Item # 9

AGENDA REPORT SUMMARY

Meeting Date: November 27, 2018

Subject: Resolution 2018-47: Compensation ranges and benefits package for non-represented employees

Prepared by: Chris Jordan, City Manager

Attachment(s):

- *More information will be provided under separate cover*

Initiated by:
City Manager

Previous Council Consideration:
None

Fiscal Impact:

- *More information will be provided under separate cover*

Environmental Review:
None

Policy Question(s) for Council Consideration:

- Does the Council wish to approve the new salary and benefit package for the non-represented group of employees to more closely align total compensation with the market?

Summary:

- The City has retained the services of a consultant, Koff and Associates, to complete a market study of total compensation (salary and benefits) for the non-represented group of employees.
- That study has indicated that certain adjustments should be made to the salary ranges and the benefit package for this group of employees for the City to remain competitive in the market place.
- More information will be provided prior to the Council meeting.

Staff Recommendation:

Adopt Resolution No. 2018-47 approving adjustments to the compensation ranges for Calendar Years 2019 and 2020 and to the benefit package beginning with Fiscal Year 2019/20 for the non-represented employee group